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NATIONAL POLICY AND ISSUES

PRC JOURNAL ON THEORETICAL PROBLEMS OF ECONOMY

NK020141 Beijing JINGJI YANJIU in Chinese No 1, 20 Jan 81 pp 11-19

[Article by Yu Guangyuan [0060 0342 6678]: "Several Theoretical Problems Concerning the Socialist Economy (Continued)"]

[Text] We Should Carry Out Concrete Study of Social Economic Life From the Aspects of Natural Law and Social Law

First, I would like to say something about what social economic life means. As we all know, man's social life can be divided into material life and cultural life. Man's material life again includes economic life and noneconomic life. The so-called economic life means the production, distribution, exchange and consumption of material goods. Is there anything else belonging to the realm of material life besides this kind of economic life? Yes. A man's falling ill itself, not his taking medicine because of illness, not his eating less food than usual because his appetite is affected by illness, nor his being absent from work at his usual working hours and so on, but the fact of his falling ill itself, should be considered as a kind of material life of this man. Yet it is not proper to say that this is his economic life. As for taking medicine and eating food, they are within the range of the consumption of material goods, and of course are within the range of economic life. The length of labor time is also within the scope of economic life. But all these are results of falling ill and not falling ill itself. Falling ill itself is within the range of social material life but not within the range of social economic life. This is true of things such as the conception of a child by a man and a woman. In the book "What the Friends of the People Are," Lenin once divided man's social relations into social material relations and social spiritual relations, and in social material relations, he put the relations of production side by side with the relations of conception of a child by a man and a woman. This shows that he did not think that social material life could be equated with social economic life. But we do not find any more comments or development of this point by Lenin. We bring up this not because this problem is of any particular importance but because we want to explain clearly the concept of social economic life.

Economic life is the most important part of social material life because a man has to consume material goods in order to live and he must produce material goods before he can consume them. Even material life such as falling ill or giving birth to a child cannot be separated from social economic life. In the example of a man's falling ill, we have already mentioned that it cannot be separated from economic life. This is also true of giving birth to a child. Furthermore, a man's birth, age, illness and death are all connected with the problems of labor and population. But the problems of labor and population are chiefly also an economic problem.

Of the four links, production, distribution, exchange and consumption, production (direct production or production in the narrow sense) is the first link. It is the basis of the general production process while consumption is the aim of production. In the general production process, "production appears as the starting point, consumption appears as the terminal point, and distribution and exchange appear as the intermediate links." (Marx's "Introduction to 'Critique of Political Economics,'"

"Selected Works of Marx and Engels," Vol 2, p 91) Marx wrote this in the "Introduction to 'Critique of Political Economics.'" Therefore, of the four links, the most basic ones are still production and consumption. We must approach both production and consumption from the aspects of nature and society. Of course, the importance of distribution and exchange in social economic life should also be duly affirmed.

In "Das Kapital," Marx described the production of material goods as "the process of material transformation between man and nature, caused, adjusted and controlled by man's own activities." (Marx's "Das Kapital," Vol 1, Published by the People's Publishing House in 1975, pp 201-202) It is a kind of natural process of the motion and changes of material. As a kind of natural process, it is no different in nature from other natural processes. It follows natural law entirely. Let me give a very simple example. A man felling a tree is an entirely natural process. The man who fells a tree must have considerable strength. The axe itself must be made of rather hard and tough material such as iron or steel. Its shape must be thick on one side and thin on the other so that the principle of a slanting surface in mechanics can be made use of. The man can use comparatively little strength to overcome the force of the combination of molecules within the tree trunk. With one stroke after another, he eventually cuts the trunk into two. This is an entirely natural process. The whole process follows the law of physics and mechanics. Here, the amount of strength needed depends on a specific axe and a specific tree. Another example is the electrolysis of table salt. A solution of sodium chloride is put into an electrolyzer with a cathode at one end and an anode at the other. After a circuit of direct current is set up, the sodium ions will move to the anode and combine with water to form sodium hydroxide, giving off hydrogen. The chloride ions move to the cathode, giving off chlorine. The process of electrolyzing table salt in the chemical industry is a process flow for producing alkaline and hydrochloric acid. Such a process is also an entirely natural process. It takes place entirely according to the chemical law of motion. Let me give another example of consumption. A man eats or drinks food, which enters his stomach and changes into nourishment for keeping him alive and for regenerating strength for his body and brains. This is also a natural process. Here, the food must be nourishing and needed by the human body, such as proteins, fats, hydrocarbons, vitamins, water and minerals useful for the human body. It cannot be anything else. After the food enters a man's body, the digestion and absorption are entirely physiological and biochemical processes. It is an entirely natural process.

Furthermore, not only do the individual processes of production and consumption follow natural law, the whole process of production and consumption, including the proportional relations among different departments of the national economy, must also be in conformity with the laws of natural science. For instance, the processing industry must have necessary raw materials and power. In order to obtain the necessary mineral raw materials, there must be mineral deposits. In order to obtain a certain amount of power, a certain amount of fuel must be consumed or a certain quantity of hydraulic power resources must be used. When a country has a certain population, it needs a certain amount of food and a certain amount of other

goods for the people's subsistence. Natural resources and economic resources are distributed in certain quantities and the population is also distributed in certain quantities. So there must be means of transportation, and energy to drive these means of transportation in order to move various kinds of material goods. Only in this way can production and consumption be carried on. Without exception, these are all natural processes.

Therefore it is very clear that production and consumption is a kind of natural process. This can be considered as very simple common sense. Since this is common sense, why do we still spend time on it then? There are two reasons for doing so. The first reason is to enable economic work to attach importance to natural laws. Another reason is to stress that the study of economic problems can also be as accurate as that of natural science.

What I mean to say is that those who are doing economic work and not those who are doing technical work should attach importance to natural science. Those who are doing technical work now that they should attach importance to natural science. There is no need for me to tell them. But not all those who are doing economic work realize this. Since the processes of production and consumption are natural processes and since the whole national economy is also a natural process, how can we not attach importance to natural science? In order to attach importance to natural science, we must study natural science. Of course the demands on people doing economic work cannot be the same as those on workers doing natural science or technical workers. We cannot expect them to become specialists in natural science or technology, but we should ask them to attach importance to the laws of natural science, to respect the laws of natural science and to have rich and precise common knowledge of natural science. This is the first point.

The second point. We all know that a natural process can be accurately calculated (of course, I only say can. It is only a theoretical possibility. In reality, there are some natural processes which are also difficult to calculate accurately). The relations between the hardness of the axe, the strength used and the depth of each stroke can be calculated accurately. How much electricity and how much salt is used, how much chlorine, hydrogen and sodium hydroxide is produced and how much energy is absorbed can all be accurately calculated. The composition of nutrients in the food, the amount of calories the food contains and how much is absorbed by the human body can also be calculated accurately. Even a man's labor is also a natural process. In labor, a man's physical and mental strength are consumed and a period of time in a man's life is also consumed. But a man's life itself is a natural process, which can also be accurately calculated. The consumption of physical and mental strength can be measured by instruments. Labor time can be accurately measured to a minute, second or even fraction of a second. Labor methods can also be accurately studied with the help of a cinema camera or a video tape recorder. Accurate study and calculation of the processes of production and consumption are something which our economic work should now do but which is not yet being done. At present, mathematics is not sufficiently used in our economic work. Our statistical is too weak. Yet economic work should be done very carefully. No crude and careless work should be allowed.

However, the natural process of economic motion is not a spontaneous natural process but a social natural process. A spontaneous natural process is a natural process which is not affected by man, much less controlled by man. The revolving of the earth round the sun is not affected by man at all, so it is a spontaneous natural process. The revolving of the moon round the earth is not affected by man

either. Some people may say that the movement of tides can affect the revolving of the moon round the earth, and man can affect tides, so it is not true when we say that the revolving of the moon round the earth is not affected by man. I admit that man can have a slight effect on the revolving of the moon round the earth, but such an effect is minute. We can even add two more such adverbs to the sentence. The effect is so little that it can be completely ignored. For example, no other influence of man upon tides can be greater than that of tidal power generation. But how much can the tidal generation of electricity affect tidal movement? It is really extremely little and negligible. In his book "Dialectics of Nature," Marx once discussed the effects of tidal friction on the moon's movement. The effect is very little and the effect of tidal power generation on tidal friction is again so little that it can be ignored. I wonder what scale should be used for the ratio between the tidal movement over the whole ocean surface and the effect of one tidal power station on tidal movement. Therefore, we should say that the movement of the earth and the moon is a spontaneous natural process which is not affected by man. Besides movements of the heavenly bodies, meteorological and geological movements, developments and changes are an entirely spontaneous natural process under today's conditions. To date, man's effect on typhoons, earthquakes and so on is negligible. At most, man can only affect weather in a very small way, prevent hailstorms in limited localities, initiate small artificial earthquakes and so forth. An entirely spontaneous natural process is a natural process which is not affected by man in the least. Any natural process which is affected by man is not an entirely spontaneous natural process. Of course, man's effect can be big or little. It can be so much that some natural processes are initiated and controlled by man. The latter kind of natural processes we call social natural processes.

The social natural processes are those which only occur after the existence of human society. A man felling a tree or the electrolysis of table salt mentioned above is a process which can only take place after human society has come into being, because not only an iron axe but also a stone axe is the result of the long term development of man from the ape. As to the electrolysis of table salt, the prerequisite for it is a much higher stage of development of human society. Before human civilization developed into the capitalist system, man had no knowledge of things such as direct currents and electrolyzers. Much less did he know the whole process of installation with a direct current electrolyzer which can be formed spontaneously by nature. The production of material goods (incidentally, this is also true of services) and man's consumption livelihood (incidentally, the generation and regeneration of man itself and man's birth, aging, illness and death) are both social natural processes.

The second layer of meaning by putting the word "social" before "natural process" is that this kind of natural process is of a social nature. We know that society is changing all the time and it is developing. In different stages of the development of society, the productive forces of society have different levels. People use different tools of production in their production and people participating in production have different knowledge of production and labor skills. In addition, there is also an old saying: In production, men not only have certain relations with nature, but also have certain relations with one another. The productive forces are the social productive forces and the relations of production themselves are social relations. A natural process such as production is also carried out by men who are related with one another in a certain way. Marx once said, "When we say production, we always mean production in a certain stage of social development--

social and individual production." (Marx: "Introduction to 'Critique of Political Economics,'" "Selected Works of Marx and Engels," Vol 2, pp 87-88)

Production is of a social nature and consumption is also of a social nature. At different historical stages, people's levels of consumption, modes of consumption, the different consumption of different people in society and so on, are all different.

Production and consumption are not spontaneous natural processes but social natural processes. From this we can draw a conclusion that in studying production and consumption, we cannot just consider problems from the angle of the laws of natural science but must at the same time consider problems from the angle of social laws. At present, there are some people doing technical work or doing natural science work who do not care much about the science of economy and are not interested in it. On the hand, this is quite easy to understand. It is simply division of labor in society. Besides, in studying scientific and technical problems, the social problems can sometimes temporarily be shelved. Achievements in science and technology are first made before their feasibility in society is assessed. So it is not necessary to consider social problems as each step is taken. Only "sometimes" is this so. Generally speaking, in carrying out a scientific research project or technical innovation or invention, we usually first consider the needs of society and the application in society if the achievement is made. Besides, we can only give play to the achievement of a scientific research project or technical invention when it is eventually needed by society and is economically feasible.

Production, consumption and so on are not only social natural processes. It should be pointed out that they themselves are social processes. In production, there is already" 1) the distribution of tools of production, 2) the distribution of social members among different kinds of production (individuals subordinated to certain relations of production)." This kind of distribution itself "forms an essential factor in production," and it "apparently belongs to the internal problems of production itself." "When we study production, if we put aside this kind of distribution included within it, production is apparently empty and abstract." (Marx: "Introduction to 'Critique of Political Economics,'" "Selected Works of Marx and Engels," Vol 2, p 99) As to exchange, "it is first quite apparent that the exchange of various kinds of activities and various kinds of ability occurring in production itself belongs directly to production and in essence constitutes production. Second, this is also applicable to the exchange of products, as long as the exchange of products is a means for manufacturing and products for direct consumption. To this extent, exchange itself is included in activities of production. Third, viewed from the aspect of organization, the so-called exchange among industrialists is determined entirely by production and at the same time is an activity of production itself." (ibid, p 101) The two passages concerning production and distribution, and production and exchange are quoted from Marx's "Introduction to 'Critique of Political Economy.'" What they mean is that "the distribution of the tools of production," "the distribution of men to their posts in the social division of labor," "activities of exchange among people in production," "the purchase of the means of production from elsewhere," and so forth, are themselves within the range of production. The production process we are talking about is not only a natural process of the transformation of material. It is not just a natural process but also a social process.

If what we are talking about is not only the two links of production and consumption in the process of the social general production, but includes distribution and exchange in the general production process, it is then even more apparent that this

is a social process. "Distribution determines the ratio of these products (produced) obtained by individuals. Exchange brings to individuals those special products which they desire in exchange for the portion distributed to them." "Distribution is to distribute (produce) according to social laws and exchange is to redistribute the things already distributed according to personal needs." "Distribution is stipulated as an essential factor proceeding from society and exchange is stipulated as an essential factor proceeding from individuals." (ibid, pp 91-92) Viewed from their nature, distribution and exchange can only be considered as social processes and not natural processes.

On the whole, the economy is both a natural process and a social process. As a natural process, it is not a spontaneous natural process but a social natural process. As a social process, it can also be considered as a natural social process according to the viewpoint that the emergence of human society was the result of overall changes of the earth and biological evolution. Man is an integral part of nature, and social history is an integral part of natural history.

Social economic life is always concrete. No matter whether it is considered as a social natural process or a natural social process, it includes concrete and vivid contents. We must have powerful tools before we can study these concrete and vivid contents. In studying such a process, we cannot use a microscope, a scalpel or a high-energy accelerator. Marx said that we had to rely on our power of abstraction. In order to do this, we must take abstract political economic study and productive economic study of the economic life of human society, and find out from such study the category and laws of economics. Without such study, the economic life of human society will become a large heap of disorderly and unsystematic phenomena and we shall not be able to acquire any scientific knowledge. If we do not have a clear idea that all substances are made up of hundreds of chemical elements and their chemical compounds or mixtures, and if we do not have such a concept as chemical elements, we cannot distinguish the countless quantity of material goods in the world. In the same way, without the category of economics, we cannot analyze the complexity and objectivity of social economic life. But our task is not confined to abstract understanding. Scientific abstraction is only a tool for understanding concrete and vivid things. We must further grasp concretely the things we want to understand. We must look for methods for solving problems, put forth guiding ideas, find appropriate measures, formulate well conceived plans and steps, and so on. This cannot be done by mere abstract thinking, we must have a concrete understanding of things. In order to study social economic life concretely, we must proceed from natural laws and social laws.

We Must Make Concrete Study of Socialist Economy

Let me say something about history first. We must look at the word "socialism" in the light of history. The concept of "socialism" was originated and formed in the study of the historical process of the development of society. Before society had developed into capitalism, there could never have been the concept "socialism." The concept "socialism" was formed in the development of capitalist society. What socialism means is a kind of productive relation or a kind of social formation. In accordance with the laws of motion of the capitalist economy, Marx and Engels, the founders of Marxism, pointed out that the replacement of capitalism by socialism was an inevitable historical trend. In the beginning, Marx and Engels also called the society which was to replace capitalism, communism. Later on, the word socialism was used as a synonym for communism in the works of Marx and Engels.

However, Marx only divided communism into the first stage and the highest stage. It was Lenin who afterwards defined the meaning of socialism as the first stage of communism. Even according to Lenin's expression, we can also say in general that communism replaces capitalism if we do not want to distinguish in detail the different stages of development. It is because the basic feature of socialism is communism. Of course, the communism we are talking about is not primitive "communism," but the communism which is set up on the basis of highly developed productive forces, in which the system of public ownership of the means of production by society is practiced extensively and which includes the lower stage and the higher stage of communism.

Incidentally, I would like to mention here that the word "socialism" appeared rather late. In the second issue of the magazine "Study" [Du Shu 6236 2579], 1979, the letters exchanged between Comrade Gao Fang and I were published, in which the origin of the word "socialism" was discussed. Comrade Gao Fang wrote an article for the supplement to "Renmin Ribao." He reckoned that the word "socialism" first appeared in 1832. I consulted him on that because I had read some material saying that the word "socialism" first appeared in 1826 in "the COOPERATIVE MAGAZINE" [He Zuo Za Zhi 0678 0155 7177 1807] which was run by the Owenists. In his letter, Comrade Gao Fang replied that what appeared in 1826 in the COOPERATIVE MAGAZINE was "socialist" and not "socialism." I thought that since the word "socialist" had appeared, we could say as well that the word "socialism" had appeared. Later, I again came across some material saying that "the first appearance of the noun socialism was much earlier than 1826. It appeared in the beginning of the 19th century. It was in 1803 that an Italian priest Juliani [Zhu Li a Ni 2612 0448 7093 1441] first used it. However, it is said that the word socialist used by the Owenists in 1826 was not related to the article of that Italian. But in this period of over 20 years, it is difficult to be certain that no other person ever used it and it is also difficult to be certain that Juliani was the first person to use it. Nevertheless, the word could not have appeared much earlier. The word "socialism" is something with good luck. It is at the same time something with bad luck. We say that it has good luck because the moment it appeared, many people who took the stand of the petty bourgeoisie or the bourgeoisie, and even those who took the stand of the feudal landlord class, competed to be socialists. Because of this, when Marx and Engels wrote the "Communist Manifesto," they were obliged to make comments on each faction of socialists, distinguishing themselves strictly from other factions of socialism. After Marx and Engels had criticized different kinds of socialism, they called their theory scientific socialism. What they called scientific socialism has the same meaning as what they called communism. Marx called himself a "communist," the manifesto he wrote was the "Communist Manifesto," and the organization he set up was the "Communist League." Yet he accepted the name "socialism."

Why do we say that it is also unfortunate? We may say that it is also unfortunate because many people who took the reactionary stand all flaunted the banner of "socialism." In the beginning, there were those brands of socialism mentioned in Marx's "Communist Manifesto." Later, there were many, many more socialists. In modern history, there was Nehru's "socialism," Nasser's "socialism," and even Hitler's "socialism." "Nazi" itself is the short form of "national socialism." It is said that there are more than 50 countries which profess to be practicing "socialism." In this way, the reputation of socialism has been greatly damaged. The word "socialism" is thus not very fortunate.

Although the bourgeois politicians and their hired scholars try in every way to prettify capitalism and to oppose real socialism, there are not many people who

openly attack socialism today. Nor were there many even in the 19th century. This phenomenon explains the problem that after capitalism has developed to a certain stage, the historical trend of socialism replacing capitalism is inevitable. Once the contradictions and various social evils inherent in capitalism are exposed to the broad masses of people, their hearts turn to socialism. Even those who oppose it do not explicitly say so.

The socialist theory in the true scientific sense we are now talking about had a unique process of development. The first part of it was the development of socialism from utopian socialism to scientific socialism. This part was completed when Marx and Engels founded Marxism. Marx made a deep and thorough study of the law of motion of the capitalist economy, and from the law of motion of the capitalist economy, Marx discovered that the development of capitalism to socialism was an objective law independent of man's will and it was not dependent on the wishes of kind-hearted people. Of course, they reckoned that in order to realize the transformation from capitalism to socialism, man's effort was needed. But this kind of effort tallied with the objective trend of historical development, it therefore would achieve success. In this way, Marx and Engels established the theory of socialism on a scientific basis.

When Marx and Engels started to establish their theory of scientific socialism, they adopted a different attitude from that of the utopian socialists. They refused to infer and describe without sufficient facts the future society. They would rather only point out some basic characteristics which the future communist society was bound to possess. These basic characteristics can well be seen from the trend of development of the capitalist economy. Therefore, socialism mentioned by Marx and Engels in the beginning could be said to be very abstract. Later, their understanding of the transformation from capitalism to socialism became more and more concrete and they also took into account the process of class struggle after the victory of the proletarian revolution. Hence the emergence of the idea of the necessity for a period of the dictatorship of the proletariat, or a transitional period for the transformation from capitalism to socialism. This idea was explicitly expressed in the "class struggle in France" written in the 1850's. His understanding of the development of communist society by stages, and his understanding that communism was divided into the initial stage and the advanced stage was explicitly expressed in the letter "Critique of the Gotha Program." That Marx and Engels' understanding of socialism became more and more concrete was connected with the further development of capitalism and with the depth of their understanding.

In the beginning, Marx and Engels did not foresee clearly that the development of capitalism must undergo a monopoly stage (it was already quite extraordinary that there were some brilliant conjectures in this respect in Marx's notes in the 50's.) At the end of the 19th century, Marx, and especially Engels, had already made expositions of monopoly capitalism. This can be seen in Marx's "Das Kapital," Vol 3 and in many other works of Engels. Through their study of the stock companies which came into being under the capitalist system, they gained an even deeper insight into the characteristics of the future socialist society. The cooperative economy such as the cooperative factories and the cooperative commerce which came into being under the capitalist system also caused them to think further about the problem concerning concrete forms of economic organizations in future socialist society. For example, Engels once concluded that the cooperative economy was an intermediate link in the advance toward socialism. That was what he said in his

letter to Bebel in January, 1886. (Refer to "Engels to August Bebel, January 20-23, 1886," "Letters of Marx and Engels on 'Das Kapital,'" p. 470)

It was Lenin who first made a thorough study of the stages of monopoly capitalism. We all know that he wrote the great work "On Imperialism." Monopoly capitalism is nearer to socialism than laissez-faire capitalism. Lenin said that imperialism was the eve of the socialist revolution. He also said that there were no more transitional forms between national monopoly capitalism and socialism. In the capitalist society which was nearer to socialism, not only conditions for the approaching socialist revolution could be seen more clearly, but also the characteristics of future socialism could be seen more concretely. In Lenin's works, we can find that he saw, from monopoly capitalism, especially from state monopoly capitalism, the new social order that was to be set up after the victory of the proletarian socialist revolution. For example, in Lenin's works, we can find many of his discussions of organizations such as the post office and the bank in developed capitalist countries. Lenin considered that only if revolution changed the nature of ownership, could all these become forms of the future socialist organizations. Such discussions in Lenin's works are numerous. Forms of socialist economic organizations did not come out of the void. The deeper we studied capitalism, the more concrete our understanding of the future socialism transformed from capitalism became.

1. We say that before the October Revolution, the scientific socialists could only study the characteristics of socialism and its developing stages from capitalist economic motion, the situation was very different after the October Revolution. After that, Marxists could study scientific socialism from two aspects.

One aspect was to continue the study of socialism by studying modern capitalism. It has been over 60 years since Lenin completed his epic work "On Imperialism." During this period, great changes have taken place in the internal and external circumstances of the capitalist countries. The development of the contradictions inherent in capitalism will inevitably lead to the victory of socialism. Only by replacing capitalism with socialism can these contradictions be solved. Of course, this conclusion of scientific socialism will not change. However, by examining modern capitalism, we can see even more clearly some characteristics of socialism. Up to now, socialism has not yet won victory in capitalist countries with highly developed economy and culture. We have not seen and we do not know what the characteristics of socialism will be when it is set up after the revolution has won victory in capitalist countries. But over the past 60 years or so, the economy and culture of countries whose economy and culture were formerly very developed have now become even more developed. Therefore, when socialism replaces capitalism in these countries, the concrete formation of socialism there will surely assume many new aspects which are not yet known to us. But if we study carefully the contemporary developed capitalism, we can see some characteristics of the future society in these countries. Yet our study in this respect is quite insufficient and we seldom see works in this respect.

Another aspect is even more important. It is to study socialism directly from the actual situation and actual experience of socialist countries. This means we can study socialism directly from the reality of socialism. We can examine socialism directly and put theoretical concepts into practice. This is very different from studying socialism with capitalism as an object of study and only making indirect inference and judgements. Under these circumstances, we can carry out a more objective study of socialism. Although any branch of science is the fruit of thinking,

the study of scientific socialism by taking the social life in socialist countries as an object of study still needs analysis, synthesis, judgement and inference. It still needs abstract theoretical thinking. But ultimately there is a great difference between this and the study of socialism by taking the economic motion of capitalist society as an object of study.

Our understanding of socialism today is far more concrete than it was when Marx and Engels established the theory of scientific socialism. There are many, many things which people could never have dreamt of before socialism developed into reality. But we still have to admit that our concrete understanding of socialism is not yet sufficient. This is because on the one hand, we are limited by history, for example, we have just mentioned that up till now, nearly all the countries that have won victories in the socialist revolution are formerly countries in which capitalism was hardly developed and which had relatively backward economy and culture. Before the October Revolution, Russia was a semifeudal imperialist country. Our country, China, was even a semifeudal, semicolonial country before the victory of the revolution. Only after socialism is realized in more countries of different types can we make deeper generalizations of socialism. Of course, there are also subjective reasons of ours. Based on the material available, we can also make greater achievements in the concrete study of socialism if we do our work better.

To sum up, the study of socialism over the past 100 years or so has undergone two processes—from utopian to scientific and from abstract to objective. Our present task is to study it objectively. This kind of study includes both the collection and sorting of data and theories. The data to be collected and the object of theories we mention here should not be limited to just one country or one type of country. That means that they should not be limited to capitalist countries or socialist countries alone. We should study by making comparisons. We should take different types of countries in the world as objects of our study and make comparison and study with the aim of studying socialism. If we call knowledge of the study of socialism socialistics [she hui zhu yi xue 4357 2585 0031 0034 1331], we may then call this kind of study comparative socialistics. The data collected includes facts and theoretical material. The collation of facts to study is the study of the economies of different countries and the study of socialism from the viewpoint of the economies of different countries. The collation of theoretical material is the collation of different countries' works concerning the study of socialism, the study of their theories and of their thinking. To carry out theoretical thinking is to ponder over the data collected and propose theoretical points of view. If we do not collect material and if our range of knowledge is very narrow, it is impossible to carry out theoretical thinking. Each kind of theoretical material reflects to a certain extent facts with which the man who has carried out such theoretical thinking is in contact. Therefore, it reflects indirectly facts in different countries of the world. Of course, when we make a thorough study of a certain book, we can also study the background of it with some aim in view. At the same time, we can collect theoretical data and facts.

The facts of the socialist economy of a country cannot be separated from the guiding ideology of the socialist construction of that country. In reading books written by foreigners concerning the socialist economy, we can of course see the theoretical points of view of the authors, but we can also see the guiding ideology of the socialist construction of some countries or the discussions and controversies in the guiding ideology. In finding out about the guiding ideologies, we can also see the facts of the social economy of these countries. These are relations between collecting theoretical material and collecting facts viewed from another angle.

The study of comparative socialistics can of course be carried out in many aspects. In the study of comparative socialistics, we can study the developing processes of the socialist economy in different countries in the world. What we mean is not to study the problem of the division of communism into the stage of socialism and the stage of communism. There is no difference of opinion on this problem among different countries. Besides, it is too much a matter of principle, so there will not be any difference among different countries. What I mean is the more concrete stage of development. Let us take China for example.

After the founding of the PRC, it first underwent a period of rehabilitation. After the October Revolution, there was also a period of rehabilitation. Such a period of rehabilitation is perhaps a phenomenon common to all countries which have experienced a protracted war and quite arduous revolutionary struggle. But the contents of this stage of rehabilitation in different countries are different. After this stage of rehabilitation, there was a stage of socialist transformation in our country. There was also such a stage in the Soviet Union. The duration of this stage in our country was especially short. It lasted only about 3 years. The duration of this stage was longer in the Soviet Union. In the Soviet Union, before the stage of transformation, there was a stage of military communism and a stage in which new economic policies were practiced. This was because there were several years of civil war. We had already had a long period of war before the victory of the revolution. Our cadres and army had also once led the life of military communism, but that was before the victory of the revolution over the whole country. Since we did not practice military communism after the victory of the revolution, we did not have an independent period of new economic policies. What kind of stage was the 20 years after the completion of the socialist transformation in our country up to 1976. Of course, the development of socialism in China in this stage was not regular. When then is the regular development? The comparative study of the stages of development of socialism is to study what stages the development of socialism in different socialist countries of the world has undergone, what stage it is now in, what the next stage will be and to study the regularity of the stages of development of socialism.

This kind of study can be carried out by comparing the forms of economic organizations in different socialist countries. In the beginning, countries which built socialism followed the Soviet Union's experience after the October Revolution and adopted the same "pattern" as that of the Soviet Union. That was a result of the historical conditions at that time. We may say that it was quite inevitable. Nevertheless, although the forms of socialist economic organizations in different countries were almost the same, there were still some differences. Later, the difference between the forms of economic organizations in the world's socialist countries became greater and greater. In the early 1950's there appeared a form of autonomous system such as that in Yugoslavia, which was quite different from the pattern of the Soviet Union. At present, quite a few countries are considering what kind of economic system they should adopt, or they are taking some measures to partially change their existing economic system. Consequently, this provides much richer contents for the comparative study of socialism from the aspect of socialist economic forms.

This kind of comparative study is very important for our economic work. Are there not some people abroad specialized in the study of economic patterns of socialism? This is the comparative study of the forms of economic organizations in each different country. We can study the economic organizations of socialism in principle, in the abstract or in an objective way. What I want to stress today is objective study.

NATIONAL POLICY AND ISSUES

PRC JOURNAL ON PRODUCTION AIMS OF STATE ENTERPRISES

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[Article by Wang Haibo (3076 3189 3134), People's Publishing House: "A Discussion on the Production Aims of Socialist State Enterprises"]

[Text] For a long time academic circles have held the view that the aim of Socialist production is to meet the constantly increasing material and cultural needs of society as a whole. However, I believe that while this is the principal part of the production aims of enterprises under the system of socialist state ownership (hereafter shortened to state enterprises), in addition, a secondary part consisting of the material and cultural needs of the workers of the enterprises themselves must be included. The understanding of this point is of important theoretical and practical significance.

I. As Revealed in Practice

Comparison is an important way of understanding truth while practice is the only criterion for examining truth. To find out the composition of these two parts of the production aims of state enterprises, we need to compare the actual practices in Socialist construction over the 30 years since the establishment of the Republic.

First, let us turn to a comparison of the first 5-year plan with the second, third and fourth 5-year plans. Labor productivity is an important criterion for assessing the zeal or enthusiasm of an enterprise. The average annual increment in the labor productivity of workers in state enterprises in these periods was as follows: 8.7 percent in the first 5-year plan period; and 5.4 percent, 2.5 percent and 1.3 percent respectively in the second, third and fourth 5-year plan periods. It is thus seen that a rather rapid rate of increase was shown in the first 5-year plan period whereas in the other periods the rate of increase was comparatively slow and in fact was negative in one of the periods. What was the reason for this? Some people suggested that this was because the enthusiasm of the enterprises was high during the first 5-year plan period when production development had brought along a steady improvement in the livelihood of the workers and employees while in the subsequent periods the enthusiasm of the enterprises was at a low ebb when despite a certain increase in production there was no improvement in the general living standard of the people. In general, this is correct, but it must be supplemented with the following: During the first 5-year plan period the economic interests of the enterprises were to a certain degree better looked after but during the subsequent three periods the attention given to the economic interests of the enterprises

tended to progressively decline. During the first 5-year plan period, the system of awards was enforced in the enterprises. Although the system enforced was generally not up to expectations, it was still an improvement over those in the third or fourth 5-year plan periods. After the first 5-year plan period, many changes occurred in the system of accumulation funds of the enterprises but the principal trend was that the relationship between the accumulation funds of an enterprise and its business conditions became further and further apart while the relationship between the accumulation funds and the gross amount of salaries and wages was becoming closer and closer. At the same time increasingly severe restrictions were placed on the use of accumulation funds for group welfare benefits. (Article: "We Must Effect A Close Liaison Between A Portion of The Workers' Earnings and the Business Conditions of the Enterprise," by Wang Haibo, Wu Jinglian, the Zhou Shulian, JINGJI YANJIU, Issue No 12, 1978, pp 39-41) In this way, the situation deteriorated and in the end the economic interests of the enterprises were completely ignored.

Second, let us turn to a comparison between the enterprises which were experimentally expanding their decisionmaking power and those not under similar experimentation. In Sichuan Province, commencing from the fourth quarter of 1978, a portion of the state enterprises were allowed to experimentally expand their decisionmaking power. In 1979 it was found that the profits of 84 enterprises carrying out experimentation increased by 33 percent over 1978 and were 1.2 times higher than the profits of enterprises not carrying out experimentation. Profits are usually a combined indicator of the caliber of the management of an enterprise and the state of production enthusiasm of an enterprise. Concerning the fulfillment of the first part, as mentioned above, of the production aims of state enterprises, it is difficult to find any difference between these two categories of enterprises, namely, those under the experiment and those not. However, the difference lies in that, compared with the enterprises not carrying out experimentation, those carrying out experimentation were more concerned with the economic interests of the enterprises themselves. According to Government regulations promulgated in 1978, enterprises in general may follow a dual system of retaining a portion of the profits on a percentage basis: first, as the enterprise completes its production tasks, it may set aside an amount equivalent to 3 to 5 percent of the gross amount of the salaries and wages of the enterprise to form its accumulation funds to be used for collective welfare benefits and awards for its workers and employees; second, the governing organ of the enterprise sets aside 5 to 15 percent of the profits in excess of the plan to serve as joint accumulation funds of the enterprise for use by its subordinate enterprises for production, awards and collective welfare benefits. On the other hand, the regulations in Sichuan Province provide that the enterprises under the experimentation may set aside 5 percent of the planned profits and 20 to 25 percent of the profits in excess of the planned profits to form the accumulation funds of the enterprises for use on production, collective welfare benefits and awards. It can thus be seen that the enterprises under experimentation are much more prone to link the business conditions of the enterprise together with their own economic interests.

Third, let us compare the experiment on responsibility for one's own profits and losses with the experiment on expanding the decisionmaking power of enterprises. In Sichuan Province, from the experience earned in experimenting on expansion of the decisionmaking power of enterprises, this year five more state enterprises carried out the experiments on independent business accounting. Remittal taxes to the State and responsibility for one's own profits and losses. By the end of the first 6 months of this year, the five enterprises practicing responsibility for their own profits and losses on a trial point basis, after having paid to the State all the

taxes, earned an aggregate income of 14.76 million Yuan. After deducting the payments for the production cost and for salaries and wages, welfare benefits and awards, the enterprises had net receipts amounting to 7.78 million Yuan which was an increase of 1.9 times over the profits for the corresponding period of last year. The reason for this further rise in the production enthusiasm of these enterprises, which after having experimentally expanded their decisionmaking power turned to experimenting on responsibility for their own profits and losses, obviously was not due to any change in the first part of the production aims of the enterprises, but rather to the fact that they were responsible for their own profits and losses in comparison with the original system of retention of the profits on a percentage basis, and could initially and in a more complete manner accomplish the second part of the production aims, namely, initially and in a more complete manner link the economic benefit of the State with that of the enterprises.

The above-mentioned phenomena which were identical, widespread, solid and protracted indicate that the production aims of Socialism are in the first part principally to satisfy the livelihood needs of all the workers of society and in the second part partially to satisfy the livelihood needs of the workers of the enterprise concerned. The former is the principal motivation for the development of production of the state enterprises; while the latter is also an important motive power.

II. Analysis of the Theories

Why is it that the production aims of state enterprises, in addition to embracing substance mentioned above in the first part, should also include the second part?

A given economic law is developed on the basis of definite economic conditions. In our study of the basic economic laws of Socialism and in our study of the production aims of state enterprises, we must look for their roots from the special feature of the production materials being under the system of Socialist state ownership and from the special feature of the union of the labor force with the means of production under the economy of Socialist state ownership.

Under the conditions of Socialism, enterprises still constitute the basic production units of society. This does not come about from the objective wishes of mankind, but is determined by the productive forces of society. The development of the basic contradictions in capitalism led to a demand for abolition of the capitalist private ownership of the means of production and setting up in its stead the socialist public ownership system but with no demand for a change in the status of the enterprises constituting the basic production units. This has been illustrated by the experience in socialist revolution in various countries. Naturally, following the basic change in the nature of the ownership system of the means of production, the social status of the enterprises is also basically changed. The fusion of the workers and the means of production is the starting point of socialist production. Since the enterprises are the basic production units of society, this union is effected first of all directly inside the realm of the enterprises. This is the special feature on the one hand.

On the other hand, in the history of socialism, labor did not at first serve as the first need in mankind's livelihood but was merely a means of making a living. This was true in the case of the individual worker and in the case of the collective labor force of the enterprises. In either case, labor served as a means of making a living and effected union with the means of production.

These two special features in the manner of the union of the productive forces with the means of production determine that the State-owned means of production can be used only by the enterprises (Note: It may be pointed out here that prevailing practice refers to socialist state-owned enterprises as state-operated enterprises. I do not agree, because the production materials of the enterprises are owned by the state but are handled by the enterprises. Hence this article uses the term state enterprises instead of state-operated enterprises.) The relationships between the state and the enterprises are the relationships under the business accounting system. Based on the interests of the entire body of workers, the state enforces a centralized and unified leadership over the enterprises and procures a portion of the net receipts of the enterprises. On the part of the enterprises, they are relatively independent in production and management and in economic interests. Guided by the state, the enterprises can independently organize production, exchange and distribution, and carry out independent business accounting and responsibility for their own profits and losses. They can also set aside an appropriate portion of the fruits of their production and management. Their relationships with other enterprises are the relationships existing between producers of commodities endowed with relatively independent economic interests, and they must observe the principle of exchange at equal value. In the absence of such conditions, the enterprises cannot carry out normal economic activities as basic production units and cannot meet the economic demand of using labor as a means of making a living in effecting union with the means of production.

In this way, the special form, and from it the economic form, of the union of labor force with the means of production as mentioned above generates subjective economic demands, and provides them with subjective economic possibilities, out of the first part of the production aims of the enterprises, namely, principally fulfilling the livelihood needs of the entire body of workers, and also out of the second part of the production aims of the enterprises, namely, partially fulfilling the livelihood needs of the workers of the enterprises concerned. Hence, both of these two parts constitute the substance of the Socialist state ownership economy. Practice in socialist construction has testified that this substance not only determines the direct production process in the socialist state ownership economy but also its entire gross production process comprising production, exchange, distribution and consumption. Note: According to Stalin's definition, "the basic economic law of capitalism is the kind of law which does not determine an individual aspect or a certain individual process in the development of capitalist production. Instead, it determines all the principal aspects and all the principal processes in the development of capitalist production. Thus, it determines the actual nature of capitalist production and determines the intrinsic nature of capitalist production." (Problems of Soviet Socialist Economy, People's Publishing House, 1961 Edition, p. 30) If we put aside the differences brought about by the differences in the nature of the production relations and look at the common points and similarities, then it may be said that the basic economic law of different types of societies (including socialist societies) exercises the same function. Therefore, both of these two parts constitute the most important substance of the basic economic law of socialism.

The above analysis shows that while in the main what Stalin mentioned as the aim of socialist production was applicable to the socialist state ownership economy, as a whole it was really the production aims of a communist society. This is because, without discussing for the present whether or not under communist conditions the enterprises still constitute the basic production units of society, one point is certain which is that by that time labor has already become the first necessity in

living and the workers no longer take labor as merely a means of making a living in union with the means of production. In that case, the second part of the production aims of the enterprises no longer possesses the economic conditions for its being and the aims themselves must vanish.

However, for a long time people have employed what Stalin called the aim of socialist production to apply to the production aims of state enterprises. Speaking generally, this is not exactly erroneous but still it is not entirely correct, because it ignores the substance of the second part of the production aims of the enterprises. This kind of viewpoint is associated with the metaphysical and legal viewpoint which at one time prevailed concerning the problem of the ownership system of the means of production. To use this concept to examine the ownership system of the means of production is liable to lead to it being considered as something which can be separated from production relations and exists independently. But in reality, a given ownership system is the sum total of definite production relations and cannot be isolated. To use the above concept to examine the problem is only to treat the ownership system of the means of production from the standpoint of legal relations and ignore its economic substance. In reality, the taking possession of production materials does not arise out of imagination but "is the outcome of real activities, and of factual relations, that is to say, involving their actual utilization as means for the prosecution of the producer's objective activities" (Marx: Critique of Political Economy (Draft), Vol. 3, People's Publishing House, 1963 Edition, p 111). To use this concept to examine the problem leads one to see only the common points between the system of ownership by the state under socialism and the system of ownership by the whole people under communism and it is easy to ignore the special features of the former. In this way, the second part of the production aims of state enterprises are naturally obliterated from view.

There are differences and contradictions between the two parts of the production aims of state enterprises. However, fundamentally they are in line with each other and the contradictions are not mutually antagonistic. This is because first, both parts are rooted in the socialist public ownership system of the means of production. Second, the first part of the aims reflects the collective interests of the entire group of workers in society and the second part reflects the partial interests of the workers of the individual enterprises. The group interests of the former embrace the partial interests of the latter and are therefore greater and more important. Hence, although the partial interests of the enterprises have independent significance yet they can and must be subservient to the group interests. Of course, the recognition of such partial interests is essential to the development of the group interests. Third, in accomplishing either the first or the second part of the production aims, the enterprises must rely on the collective labor of the enterprises. Therefore, these two parts of the production aims of the enterprises under the socialist state ownership system are actually unified and they tolerate each other. Actual economic life has shown that the economic interests of an enterprise follow the rise and fall of the economic interests of the state and that the two grow together. For example, the Shanghai Light Industrial Machines Company became an experimental point enterprise this year on independent business accounting, with the state collecting the taxes and the company implementing responsibility for its own profits and losses. From January to July this year, the company remitted to the state taxes and other dues amounting to more than 42 million Yuan. This was an increase of 4.36 million Yuan over the same period of last year. At the same time, the company received a net income of 6.97 million Yuan which was 1.76 million Yuan more than what it would have earned if it had followed the old system of retaining the profits on a percentage basis. Naturally, in actual practice in socialist economic living, enterprises were frequently found to have endangered the economic

interests. Nevertheless, such practices should not be ascribed to the natural consequences of pursuing the second part of the production aims of the enterprises. Rather, they were the outcome of influences of the old society and defects in the economic management system. Since the production aims of the enterprises in both aspects share much common ground, the state could well make use of economic levers, economic policies, economic legislation and other necessary administrative measures to solve contradictions if they arise. Therefore, the view that the second part of the production aims of the enterprises will wreck the national economic plan is baseless.

III. Answering Doubts Raised

One viewpoint held that on the problem of socialist production aims, what Marx, Engels and Lenin said was similar to what Stalin said. On this basis, they came to the conclusion that what Stalin said concerning the aims of socialist production applied entirely to state enterprises and that consequently the enterprises had no second aim production aims. This viewpoint is well worth a careful study.

It must be confirmed that on the problem of socialist production aims, Marx, Engels and Lenin did say something similar to what Stalin said subsequently. The problem now is how to treat correctly what they said. Lenin said: "Marxism's entire spirit and its entire system required mankind to study each theory (alpha) historically, (beta) in liaison with other theories, and (gamma) in liaison with concrete historical experience" (Lenin: "Letter to Inessa Armand," Collection of Lenin's Works, Vol. I, p 238). Quite obviously, we should do likewise, we have already dealt with the third item above in the first part of this article. Let us turn now to the first and second items. But here three different situations should be noted:

First, the theories of Marxism themselves underwent a development process. At the initial stage of their formation, they did not treat the communist society as divided into two stages, namely, the socialist stage and the communist stage. At that time, what they mentioned about the production aims of a communist society obviously referred to those of a communist society. For example, this was what Engels said in 1947 about the "communist society producing sufficient products for distribution to satisfy the needs of its constituents." ("Selected Works of Marx and Engels," "Theories of Communism," Vol 1, p 222)

Second, subsequently, Marxism generated the theory of the two stages of communism. At that time when the production aims under socialism were discussed what was said was somewhat similar to what Stalin said. But under many conditions, frequently a comparison was made between the production aims under the two different social economic structures of capitalism and communism and reference was made to communism in its broad sense of embracing the two stages, namely, socialism and communism.

Naturally, we cannot under these two conditions conclude that what Marx, Engels and Lenin said concerning socialist production aims embodied the same meaning as what Stalin said and therefore that what Stalin said concerning socialist production aims was entirely applicable to state enterprises, thus negating the second part of the production aims of the enterprises.

Third, when Lenin talked on the special topic of socialist production aims, what he said was somewhat akin to Stalin's words. However, we must examine the logical premise which led to his thought in this connection. The logical premise was: he

thought that a socialist society would directly organize and bring about the union of the labor force with the means of production without having to go through the medium of enterprises serving as the basic production units in society. This point was clearly explained by Stalin when he said: Following the elimination of the private ownership of the means of production and the setting up of the public ownership system of socialism, "we must /organize/ [in boldface] socialist production of products /under care of the entire society/ [in boldface] to replace capitalist commodity production in order to ensure the all-round development of the welfare benefits of all the constituents of society and of the freedom they have obtained. ("Collected Works of Lenin," "Concerning Materials for Formulating the Program of the Socialist Democratic Labor Party," Vol VI, p 11) Lenin said even more precisely elsewhere: "/What was undertaken by the entire society (which included planning and execution of the plan)/ [in boldface] was not only meeting the needs of the constituents of society but also fully ensuring the all-round development of the welfare benefits and freedom of all the constituents of society." ("Collected Works of Lenin," "Opinions on Plehanov's Second (Draft) Program," Vol VI, p 37) Afterwards, Lenin pointed out even more clearly: "The entire society will become an administrative office and a big plant in which there is equality in work and in pay." ("Selected Works of Lenin," "The State and Revolution," Vol III, p 238). This thought of Lenin's was taken directly from Marx. When Marx discussed the pattern of payment for labor under the principle of pay according to work, he conceived of the following: "He (the worker--author's note) /obtained from society/ [in boldface] a certification certifying that he had rendered certain labor services (less the labor service contributed to the social accumulation fund) and on the strength of this certificate he procured from among society's stores consumption goods commensurate with the labor services he had contributed." ("Selected Works of Marx and Engels," "Critique of Gotha's Program," Vol III, p 11) underlined. Quite clearly, Marx's discussions here referred to society directly organizing the union of the labor force and the means of production, without the logical premise of having to go through the enterprises as the basic production units of society. But the experience of some socialist states has testified that the proletarian class, after having seized political power and set up a socialist public ownership system, is still unable to bring this to pass. Therefore, we cannot, based on this discourse, conclude that what Lenin and Stalin said about the aims of socialist production was entirely applicable to the production aims of state enterprises or that we should thereby refute the second part of the production aims of enterprises.

If we go a step further and link together the other theories of Marxism-Leninism and examine the development of these theories, then the problem becomes even clearer. First, Marx and Lenin pointed out on many occasions: In a socialist society, labor is still not the primary requirement for living; rather, it is a means of making a living. Although this was said in relation to the individual worker, yet it is also applicable to the workers collectively. Moreover, if prior to Russia's October Revolution, Lenin had conceived of society directly organizing production, then, subsequently and after he had summed up the actual experience of socialism, his views must have changed. The resolution on industries adopted at the 12th Party (Bolshevik) Congress of the Soviet Union which was convened when Lenin was still living definitely pointed to plants as the "basic industrial units." ("Compilation of Resolutions of Soviet Union's Communist Party Congresses, Representatives' Congresses and Plenary Sessions of the Central Committee," Vol II, People's Publishing House, 1964 Edition, p 267) When Lenin was still living, he emphasized that "enterprises should be built on the foundation of business accounting." ("Collected works of Lenin," "Memorandum to the People's Financial Committee, Vol 35, p 549)

Obviously, this was based on the logical premise of taking the enterprises as the basic production units. These discourses by Marx and Lenin provided us with the basic material for studying the production aims of state enterprises. As shown in the foregoing, we surmised that the enterprises were the basic production units and that labor was merely a means of making a living to explain the special pattern of the union of the labor force with the means of production under the socialist system: that first, the union was effected directly within the realm of the enterprises and that the workers in the enterprises collectively took labor as a means of making a living in effecting the union with the means of production. In this way we proved the existence of the second part of the production aims of the enterprises. As a matter of fact, when Lenin was still alive, he clearly stated that the transition to communism was effected "not directly by relying on enthusiasm, but on enthusiasm generated by the great revolution, on the individual's liking, on the concern for the individual's interests, and on business accounting" (Lenin: "Four Anniversary of the October Revolution," *Selected Works of Lenin*, Vol 4 p 572). Business accounting was taken as one phase of socialist production relations, because under the state's unified leadership, the enterprises are relatively independent in respect of production and management and economic interests. This is akin to admitting that the economic interests of the enterprises are also one of their production aims and motivations.

Second, the study made by Marx and Lenin on the basic economic laws of capitalism also gave mankind beneficial enlightenment on methodology. In his analysis of the production relations under capitalism, Marx pointed out that the law of surplus value was in effect the basic economic law of capitalism. He further described the working of the law of surplus value, based on the special features seen in the various stages of development of capitalist production relations. In the initial stage of the development of capitalism, because capital had begun to control only certain departments and feudal economic relations were still in a dominant position, competition between capital was confined to the realm of a certain department, giving rise to the social value of commodities. Under such economic conditions, surplus value in the form of profit was taken hold of by the capitalists of the various departments. Subsequently, following the taking over by capital of the principal production departments, the remnants of feudalism were swept away. In this way, not only was competition within the departments intensified but also competition between the departments began to flare up. As a result, profit was converted into average profit, and generally speaking under this stage of development what the capitalists of the various departments obtained was only the average profit. However, those enterprises endowed with better production conditions and higher labor productivity could still obtain surplus profits. At the same time, in those departments with conditions for monopoly, monopoly profits began to be generated and the process of equalization of profits was impeded. Following the development of capitalism, which allows free competition, to monopoly capitalism, and with the coming into being of industrial monopoly, monopoly of capital and currency, and state monopolistic capitalism, there appeared on the scene such economic conditions as capital export, international monopolistic organizations and so on. As a result, monopolistic organizations can reap monopolistic profits which far exceed average profits while outside enterprises are denied even average profits. This analysis made by Marxism-Leninism made it clear to us that the study of socialist production aims must be carried out with due consideration of the special features of socialist production relations, otherwise we would negate the difference between socialist production aims and communist production aims.

It can thus be seen that if the study is made in conjunction with the aforementioned theories of Marxism-Leninism, then the claim that the production aims of enterprises should include the bipartite contents as mentioned above was not in contradiction with the scientific structure of their theories but also coincided with their methodology and reasoning.

Another view held that while the enterprises under the socialist state ownership system possessed relatively independent economic interests, such interests were reflected by the law of value, the law of pay according to work and the law of material benefits but were not reflected by the basic economic laws of socialism regarding the aims of production. Hence, the second part of the production aims of the enterprises should be negated. This view also had its defects.

It is true that the function of the law of value can reflect the relatively independent economic interests of enterprises under the system of ownership by the whole people. But it cannot replace the function of the basic economic laws of socialism and cannot replace the function of the production aims of state enterprises. First, as for the intrinsic demands posed by the law of value, they concern only the problem of determining the value of commodities by the necessary amount of labor power expended by society and the law itself is not concerned with the production aims under socialism. Stalin already pointed out thus: "Naturally, under capitalist conditions the functions of the law of value have a rather broad scope. The law plays an important role in the development of capitalist production but it not only does not determine the actual nature of capitalist production or the basis of capitalist profits but also is never concerned with these problems. Hence, the law of value cannot serve as the basic economic law of modern capitalism" (Stalin: "Problems of Soviet Socialist Economy," People's Publishing House, 1961 Edition, p 29). This analysis made by Stalin gives the reason why under capitalist conditions the law of value cannot become the basic economic law of capitalism. And speaking generally, this reason set forth by Stalin applies likewise to Socialist society, that is to say, under a socialist economy, the law of value is not concerned with socialist production aims.

Second, under given social economic conditions, the law of value, when reflecting definite economic interests, usually goes through definite functional forms to achieve its effects. From the law of value itself it is difficult to explain these various functional forms and the answer can only be looked for from the given ownership relations of the production materials and the production aims determined therefrom. For example, under the conditions of a simple commodity economy, the law of value asserts itself by means of price movements with value as the center. Obviously, it reflects the economic interests of the small commodity producer and the determining factors for its operation are such economic conditions as there being an individual worker and the production materials being privately-owned as well as the aim of production (satisfying the livelihood needs of the small commodity producer) determined by these economic conditions. Under conditions of the development of capitalism, the law of value asserts itself by means of the price fluctuations around the production price. It reflects the economic interests of the capitalists in the period of capitalism when there is free competition and one of the results achieved is the equalization of profits. At the stage of monopoly capitalism, the law of value mainly asserts itself by means of monopoly prices. It naturally reflects the interests of monopoly capital and the determining factor is the monopoly profit sought after under a monopoly economy. Under conditions of socialism, the problems of the functional form of the law of value should also be treated in a similar manner. It is still a matter of controversy whether the exchange of commodities produced by socialist

state enterprises should be conducted on the basis of value or on its production price, but this problem cannot be solved by the law of value itself. On the contrary, we should probe into the socialist state ownership system and the production aims determined therefrom to find an answer.

Third, regardless of whether the exchange of products of the state enterprises is made on the basis of value or on the basis of the production price, the enterprises can still derive from them surplus receipts. These surplus receipts may be used by the enterprises but they may have arisen because of the relatively better technological equipment supplied by the state or because of good natural conditions and also may have been formed because of a higher management level on the part of the enterprises themselves. The law of value has no way to determine the distribution of these surplus receipts, but a solution may be found if we turn to the bipartite production aims of the enterprises in which case surplus receipts yielded from the first part of the aims should belong to society and may be so procured by the state by means of taxation or remittances to the Treasury, whereas for those yielded from the second part of the aims, the enterprises may obtain their due share after appropriate deductions have been made by the state.

The function of the law of pay according to work can also reflect certain economic interests of the enterprises as relatively independent units, but obviously it would be unreasonable to expect that the function of this law can replace the function of the basic economic law of socialism or can replace the function of socialist production aims. This is because although the function of the law of value cannot replace the basic economic law, yet it is still an economic law within the realm of production and is also a law which plays an important role in the realms of production and exchange respectively. On the other hand, the law of pay according to work, though occupying an important place in socialist economy and producing important effects on socialist production, is after all an economic law in the realm of distribution and it has no demand of any kind on the socialist production aims. If it were believed that the law of pay according to work could replace the function of the basic economic law under socialism and also could replace the function of socialist production aims, then in reality this would be tantamount to taking the law of pay according to work as the law governing the entire process of socialist production.

As for using the law of material interests to replace the function of the basic economic law of socialism and to replace the function of socialist production aims, then the matter deserves even more careful deliberation. The economic relations of every society are exhibited first as interests. In the system of economic laws of societies, many of the economic laws also reflect the material interests of those undertaking the various forms of social production relations. This being the case, outside the many economic laws, how can a law of material interests exist separately? Looking at the actual conditions of the system of economic laws specially embodied in the socialist economy, we find that the basic economic law of socialism reflects specially the material interests of the entire body of workers of the society and also reflects partially the collective material interests of the workers of the enterprises; the law of value reflects the collective material interests of workers under the system of ownership by the state, of peasants under the system of ownership by the collectives and of workers of state enterprises of a relatively independent nature; the law of pay according to work reflects the material interests of the individual worker in association with the interests of the society (or of the collectives); and the law of socialist accumulation reflects the joining together of the workers' long term interests with their current interests. Apart from these

socialist economic laws which reflect the material interests of the workers, where else is there any independent Socialist law of material interests?

If the observation that the production aims of state enterprises embrace the two parts as stated above is correct, then a fundamental principle is established for the reform of the economic management system. Comrade Hu Qiaomu said: "The unification of these kinds of interests of the State, of the production units and of the individual producers is determined by the socialist system. One of the fundamental rules of the socialist economic management system is to reflect the unification of these interests." ("Work According To Subjective Economic Laws; Speed Up the Four Modernizations," People's Publishing House, pp 18-19) And what is the reason for this? The basic point is: The production aims of state enterprises embrace the two parts as mentioned above, and the socialist economic management system must reflect this demand of the basic socialist economic law. That state enterprises must gradually adopt the system embodying independent business accounting, collection of taxes by the state, and responsibility for their own profits and losses is because in so doing, this demand of the basic socialist economic law is better reflected. Naturally, the demand of the law of value is also more fully reflected.

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NATIONAL POLICY AND ISSUES

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[Article by Lin Qingshong [2651 7230 2646] of the Economic Research Institute of the Chinese Academy of Social Sciences: "How To Correctly Understand the Objective Foundations for the Autonomy of Enterprises"]

[Text] In the past few years and particularly since the experiments in expanding the autonomy of enterprises began, people in general have become more concerned with the autonomy of enterprises. Animated discussions are now being carried out on this question in economic theoretical circles and those who are engaged in economic work have shown that people hold different opinions with regard to the autonomy of enterprises.

Basically speaking, the root of differing opinion is that people differ in their understanding of the objective foundations of enterprise autonomy. Therefore it is necessary here to discuss this question.

Everyone knows that the right of management is the core of the economic management system. The various different patterns of the socialist economic management system are in the final analysis divided into the right of management by the state (or the center of the social economy) and by enterprises. Regulation by planning mechanism and regulation by market mechanism and the combination of economic management by economic methods with economic management by administrative methods are also no doubt representing different patterns of regional economic management system but they are derived from the division of the right of management by the state (or the center of society) and by the enterprises. Generally speaking, if the limitations on the management powers of enterprises are expanded, the role of regulation by market mechanism becomes greater and economic methods are used to a greater extent. On the contrary, if the limitations on the management powers of enterprises are tightened up, the role played by regulation by market mechanism is reduced and economic methods are used to a lesser extent. Therefore how to correctly understand the objective foundations for the autonomy of enterprises is in fact how to correctly understand the objective foundations that are selected from the patterns of the economic management system.

The economic management system is the organizational form of economic management. It is a concrete social form in which social reproduction is carried out (including the processes of production, exchange, distribution and consumption) under a certain social mode of production. Social reproduction is the unification between the production and reproduction of the relations of production. So it can be said that the

economic management system is a concrete social form in which the production and reproduction of goods and materials and of the relations of production are realized. Therefore the patterns of the socialist economic management system must be selected in such a way that they accord with the features of the development of the social productive forces and the socialist relations of production. That is to say, the relations of production must be based on law so that they will accord with the nature of the productive forces. It also means that the superstructure must also be based on law so that it will accord with the economic foundations.

1. Economic Management of a Social Nature and Enterprises of an Autonomous Nature Are Objective Requirements for the Development of Socialist Productive Forces

Under any social conditions, the development of the social productive forces depends on the full utilization and effective combination of various elements of the productive forces such as the labor force, the means of labor and the subject of labor. The socialist economy is a socialist large-scale economy. The socialist national economy is a big economic entity that is composed of many economic departments, economic regions and millions of enterprises. Within the system of this economy, there exist the relations of complex social division of labor and close coordination among various enterprises, economic regions and economic departments. They depend on and condition one another. From the macroeconomic angle, in order to fully use and effectively combine the various elements of the social productive forces, it is necessary to put the national economy under unified management so that social general labor in various departments can be readjusted proportionately and in a planned way and the productive forces can be rationally arranged. Otherwise, anarchy will occur in production and like capitalist society, social labor will be seriously wasted, thus affecting the development of the social productive forces. But on the other hand, enterprises are basic production units of the socialist national economy. Therefore, from the microeconomic angle, in order to make full use of and effectively combine the elements of the social productive forces, there is an objective demand for society (or the state) to grant enterprises economic management powers so that each enterprise, according to its own wish, can flexibly organize production in line with its specific conditions and according to rational economic principles. Otherwise, social labor will be seriously wasted to obstruct the development of the social productive forces.

The development of the social productive forces depends on the development of science and technology and their use in the process of production. Today in particular, science and technology are changing with each passing day while natural science has been constantly used in production and has been playing an increasing role in developing the productive forces. The actual productive forces that ought to be formed in the process of production by the use of science are expressed in improvement and renewal of the means of labor such as mechanical equipment; expansion of the range of the subjects of production such as raw materials; increased quality, and stepping up of comprehensive utilization; and development of the cultural and scientific knowledge and skills of the laborers. But all these need social unified organization and management. Neither can they be divorced from the initiative and creativeness of enterprises and these can only be realized under the premise of enterprise autonomy. For example, if an enterprise does not have the necessary autonomy, it has to get approval from state organizations that are divorced from production before it is able to renovate fixed assets such as mechanical equipment. In addition, all the measures for renovation have been strictly defined by the organizations and no changes are allowed. There is no room for enterprises to display their initiative. Thus, the enterprises are tightly bound. As a result, science and technology

stagnate. Consequently, even if there are new inventions, they cannot be rapidly and widely used in production and as a result, the social productive forces cannot be developed rapidly.

The development of the social productive forces also depends on the development of the social division of labor and the coordination in production between specialized departments. As the division of labor and the relations of coordination are developing with each passing day, the demarcations between departments and regions must be abolished under unified organization and coordination by the state. But if enterprises do not have enough autonomy and they carry out coordination in supply, production and marketing through contracts among themselves without unified state leadership, then these enterprises will come under the management of the departments concerned that will consequently sever the relations among regions and hinder their coordination or that such activities will come under regional management that will sever the relations among departments and hinder their coordination. As a result, departments or regions will be inaccessible to each other, the normal relations of coordination among enterprises will be spoiled and more "big and complete" and "small and complete" enterprises that hinder the development of the division of labor and coordination in production between specialized departments will emerge to affect the rapid development of the social productive forces.

From this it can be seen that from the viewpoint of the objective need for the development of the social productive forces, under the conditions of socialist socialized large-scale production, unified management by the center of the social economy and autonomous management by economic organizations at every level--particularly by grassroots economic organizations--and enterprises, are indispensable for the continuous and rapid development of the social productive forces. If we negate or neglect the social unified nature of management of the national economy, each enterprise will then do things in its own way, anarchy will reign in social reproduction, the national economy will be out of balance, the elements of the social productive forces cannot be rationally used and effectively combined and the development of the social productive forces will eventually be hampered. This situation has long been proved by economic practice in capitalist countries. That is to say, if we negate or neglect the autonomy of enterprises, these enterprises will become passive abacus balls while the various elements of the productive forces within the enterprises cannot be fully utilized and effectively combined, the whole of social reproduction will become lifeless and stagnant and the development of the national economy will be seriously affected.

2. Combination of the Social Unified Nature of Economic Management and the Autonomous Nature of Enterprises is an Essential Requirement of the Relations of Socialist Production

The socialist economy is a socialized large-scale economy that is based on the system of public ownership of the means of production. The socialist relations of ownership at the present stage, that is, the relations of production, embody many features that are different from the relations of the communist system of ownership, that is, the communist relations of production. Even if we put aside the socialist system of collective ownership and the subsidiary individual economy, the features of the relations of the system of ownership by the whole people also differ from the communist system of ownership by the whole people. But compared with all previous systems of ownership, the relations of the socialist system of ownership by the whole people share functions in common with those of the communist system of ownership by the whole people. These features are that the whole body of

laborers are masters of the socialized means of production. In the process of social reproduction (including the process of production, exchange and distribution), the laborers treat each other equally and they have relations with each other. Through social production, they not only guarantee that the rational life of all the members of the society will be richer and richer but also guarantee that they will be able to fully develop and freely use their physical and mental powers.

The features of the socialist relations of the system of ownership by the whole people objectively demand that through united labor, the whole body of laborers directly possess, control and use the socialized means of production and directly manage the process of social reproduction; otherwise, the rights of the system of ownership of the means of production by laborers cannot be economically materialized. Some comrades said that it was impossible for millions of laborers to directly possess, control and use all of the means of production in society. Nor did they consider it possible for the laborers to directly manage thousands of enterprises under the system of ownership by the whole people. On the other hand, the means of production under the system of ownership by the whole people can only be managed by a social center that represents the interests of the whole nation. The process of reproduction in the whole society must also be put under the management of this center. [XUESHU YUEKAN (ACADEMIC MONTHLY), No 10, 1979, pp 37-43]. Some other comrades held that the means of production under the system of ownership by the whole people in fact can only be possessed, controlled and used by the laborers of each enterprise while social reproduction can only be independently managed by the laborers of each enterprise. These views no doubt to a certain extent testify to the basis of support for the social unified nature of management and the autonomous nature of enterprises in the present reform of the management system. Yet, in my opinion these views are one-sided and consequently, they have yet to offer a convincing theoretical explanation for the basic principle of the economic management system demanded by the features of an economy under the system of ownership by the whole people. These views will also confuse some people. For example, if the means of production under the system of ownership by the whole people can only be possessed, controlled and used by the social center and social production can only be managed by this center and if this assertion is used to explain what was said by Marx and Engels that the means of production "are openly and directly possessed by communes and that the process of production is under the "direct management" of "society" then how can we explain the setting up of the big alliance that was proposed by Marx and Engels and that this alliance was considered by them to be an "integrated body" based on individual factories and that it was an "integrated body of freemen." (Engels: Selected Works of Marx and Engels, "Preface to 'The Civil War in France'" 1891 separate edition, Vol 2, p 333). Is each "commune" "an autonomous commune that works independently" while the function of the state (or social center) is limited to the work of general and national aims? (Marx: Selected Works of Marx and Engels, "Draft for the Civil War in France" Vol 2, p 415). In fact, Marx suggested that social management must be carried out in a decentralized way so that each laborer will be able to take part in management. He thus affirmed the necessity of setting up national organizations with centralized function that coordinate internationally. On the contrary, if the means of production under the system of ownership by the whole people is possessed, controlled and used by the laborers of each enterprise and social production can only be put under the management of enterprises, then where is the basis for social unified management? In my opinion, the above views are mainly based on one-sided understanding of the features of the "future society" that was predicted by classic writers. Comrades with such views one-sidedly regarded the direct possession of the means of production by

"society" as possession by one social center and one-sidedly regarded the management of the process of reproduction by the whole society as all-embracing management of every aspect of the activities of production management by one social center. They may also have simply regarded the direct possession of the means of production or the direct management of the process of social reproduction by the whole body of laborers as independent possession of the means of production and independent management of the process of enterprise reproduction by the laborers of each enterprise throughout society. None of these explanations completely accord with the original intention of those classic writers; nor do they accord with the needs of the features of the system of ownership by the whole people.

Then how must we understand the needs placed by the relations of the system of ownership by the whole people on the features of the economic management system?

I hold that in an economy under the system of ownership by the whole people, the whole body of laborers are masters of the social means of production. Their relations of equality in mutual cooperation during the process of reproduction can only be realized when they are working in unity. That is to say, the social means of production can only be possessed, controlled and used and the process of social reproduction can only be managed through the form of unified labor. The form of unified labor is primarily none other than the enterprises that are the basic level production organizations. These organizations are the integrated bodies with factories as their base as pointed out by Engels. Such individual small integrated bodies are then formed into big integrated bodies that are later formed into a big alliance. Within this big social alliance, each small integrated body is an autonomous economic body and there exist the relations of equality and free exchange of labor between these small integrated bodies. The function of the organ of the big alliance, that is the socialist center, is to carry out coordination and cooperation on behalf of the interests of the whole body of laborers.

Therefore to my understanding, "direct social possession" of the means of production refers to unity between the direct possession of the means of production by the laborers of the enterprises that directly use them and direct possession by various social economic organizations, including organizations of the social center. Direct social management over the process of reproduction means the unification of autonomous management by the laborers of enterprises and the coordinated management of economic organizations at every level, including the organization of the social centers. Thus, according to the nature of the system of ownership by the whole people, unified management by the social centers over the process of reproduction in the whole society will in no way discard the autonomous management by enterprises. On the contrary, it will be based on autonomous management by enterprises. Autonomous management by enterprises will not discard the unified management by the social centers; on the contrary, it will be conditioned by this type of unified management. That is to say, unified management by the social centers and autonomous management by enterprises are complementary and they condition each other. In selecting a pattern for the economic management system, if we deny or neglect the unified management over the process of reproduction of the whole society by the social centers that represents the over-all interests of the whole people, not only will the development of the social productive forces be hindered, the interrelations among the laborers of various departments, regions and enterprises in the process of social reproduction will also be unable to be adjusted rationally. As a result, the socialist relations of production will be spoiled. On the other hand, if we deny or neglect the autonomous management by the laborers of enterprises, the development

of the social productive forces will also be hindered, the position of the laborers as masters of the means of production will be constantly weakened, the organization of the social centers will gradually become bureaucratized and the socialist relations of production will be damaged.

In short, the socialist relations of production are a productive social form of the emancipated social productive forces. These relations negate capitalism that has become an obstruction to the development of the socialized productive forces. But it is not just a simple negation. It is by no means a restoration of feudalism that can in no way accommodate the socialized productive forces, nor does it mean going back to the old pattern of small-scale production. In the socialist relations of production, the labor of laborers and productive social forms that represents workers' total emancipation are a denial of capitalism in which the laborers are subject to slavery. But it is in no way a simple negation. It is by no means a return to feudalism in which the laborers are subject to slavery and in which there exists a form of political control through forcible economy. Thus does not mean a return to small-scale production or to absolute rule by a patriarchal economy. It is to replace the economic conditions of slave labor with the labor conditions of free alliance, to replace the past exploitation and rule of one man over another with an alliance in which all men are equal. Therefore, the socialist economic management system, in which the social form of the socialized productive forces and the socialist relations of production is realized, can only take the pattern of combining the forms of the unified nature of the economic management of the whole society with the autonomous nature of enterprises. It is only in this way that the economic management system will accord with the objective needs for the development of the socialized productive forces and fully express the nature of the socialist relations of production.

3. The Objective Characteristics of the Socialist Relations of Production Determine That, as Relatively Independent Producers of Commodities, Enterprises Must Have Autonomy

The above explanations show that we explained the objective foundations for the autonomy of enterprises from the viewpoint of common sense. We also just abstractly defined the relativity of the autonomy of enterprises from the viewpoint of unified social management of the economy. Therefore, the explanations about the rational limits of the autonomy of enterprises during the current restructuring of the economic management system are not objective. In order to fully understand and solve this problem, it is imperative to further investigate the present conditions of the social productive forces and the features of the socialist relations of production.

To date, all the socialist countries in the world have been established on the basis of relatively backward productive forces. For example, China was formerly a semi-colonial and semifeudal country with relatively backward economy. Through hard work over the past decades that followed the nationwide liberation, we have initially set up an independent and relatively complete industrial system with modern industry as its backbone and set up national economic system. But owing to serious interference and sabotage by Lin Biao and the "Gang of Four" over the past decade and more, serious defects in the national economic management system and some serious miscalculation in guiding work, the development of our national economy has been seriously hampered and at present, the backwardness of our economy has yet to be basically improved. Taken as a whole, the level of our productive forces is still relatively low. The degree of socialization is not high in general, manual laborers

are still the main labor force in agricultural departments and still exist in great numbers in our industry. The difference in the level of production and technology among various national economic departments, regions, trades and enterprises is considerable. This situation has determined that in the structure of ownership systems in our national economy, the system of ownership by the whole people, the system of collective ownership and a small amount of the individual ownership system must exist simultaneously. These structures constitute one of the major features of the socialist relations of production. Compared with the high stage of communism, the socialist system of ownership by the whole people is not a complete ownership system. The laborers of the enterprises under the system of collective ownership and the few individual laborers are not yet in a position to actually possess, control and use the means of production that are owned by the whole people. On the other hand, the various enterprises under the system of ownership by the whole people objectively have their own independent and particular economic interests. It is because of these particular economic interests of the enterprises that the socialist system of ownership by the whole people must necessarily become an incomplete system of ownership by the whole people embodying certain factors of the system of collective ownership. This constitutes an important feature of the difference between the socialist relations of production and the high stage of communism.

It is hard to say if these important features of the socialist relations of production will exist throughout the stage of socialism. But it seems certain that even if there exists only the socialist system of ownership by the whole people in the whole society, as long as the social productive forces have not developed highly, the old social division of labor and the "three differences" cannot be completely eliminated. Labor will still retain its position as a means of living but not the primary necessity of life, social products are not abundant enough to implement the principle of "to each according to his need," the different working ability of individuals must still be recognized by society as a "naturally endowed privilege," and it must be recognized that laborers have different economic interests because of their different labor. Society can only regulate the difference between these economic interests through "distribution according to work." Having affirmed this point, the particular interests of enterprises must also be recognized. This is because with the difference of labor among laborers, the volume of labor that represents the standard for the distribution of individual consumer products can only be the volume of social labor that is provided to society by the laborers (the difference caused by objective factors such as the degree of technical equipment and richness of natural resources is an exception). The volume of social labor is mainly expressed in the form of the volume of social labor collectively provided to society by the laborers of enterprises. Facts prove that the volume of social labor that is provided to society collectively by the laborers of enterprises is not only decided by the efforts of the laborers in their labor but also by the economic results of the enterprises. That is to say, it is also decided by the extent of subjective efforts made by the laborers in collective management. It is impossible to realize distribution according to work if either the particular economic interests of enterprises or the difference in their economic interests is denied. It is apparent that the particular economic interests of enterprises will exist for a long time throughout the socialist stage.

So this situation shows that in order to fully display the role of economic interests in a socialist economy, it is necessary to encourage laborers to display communist labor enthusiasm and work hard to make a greater contribution to society and to enable the enterprises to have their own economic interests. On this basis, it is

necessary to set up a series of economic mechanisms to regulate the relations of complex socialist economic interests. These relations include the relations of the interests between the laborers of the enterprises under the system of ownership by the whole people and the laborers of the collective enterprises, the relations of the interests between enterprises and individual laborers, the relations of the interests between the whole society and various sections of society and individual laborers and the relations of the interests of the people's long term interests and immediate interests. The functions of these economic mechanisms are mainly divided into two aspects: One aspect is to regulate the relations of economic interest among laborers through the principle of "distribution according to work" and through a complete system for the realization of this principle. Another aspect is to regulate the economic relations among various economic units (primarily enterprises) through the principle of exchange of equal value of commodities and the related complete market mechanisms. The overall interests of society (or the state) are mainly guaranteed through tax revenues (income tax, capital tax and resource differential tax), by the laws and policies of the state and by medium and long term national economic planning.

According to the first feature of the socialist relations of social production, that is according to the need of various structures of the system of ownership of the national economy, in carrying out the socialist economic management system the autonomous management of enterprises under the system of collective ownership must be defended. The reason is that as laborers of enterprises under the system of collective ownership, these workers are undoubtedly the possessors of the means of production of the enterprises. It is only natural for them, under the unified leadership of the state and under the supervision of state laws, to use these means of production in carrying out production independently according to the internal and external conditions of the enterprises and determining the distribution of their income to meet their interests and social needs. Such autonomy for enterprises is the concrete expression of the right of ownership. These enterprises are independent and autonomous economic bodies but they must observe social laws and directives formulated by the state and accept the guidance of social planning. They are independent economic accounting bodies with responsibility for their own profits and losses but they must pay tax to the state (agricultural tax or income tax). They are totally independent possessors of commodities and their economic relations with other departments can only be the commodity relations of exchange of equal value. Therefore as independent and autonomous economic bodies, independent economic accounting bodies and independent possessors of commodities, they must have completely autonomous management powers over staff, finance, goods and supply, production and marketing as well as income and distribution. Such totally independent autonomy of enterprises under the system of collective ownership will naturally reject any brutal interference from outside individuals or social organizations with their internal management affairs. Any form taken by any individual to "indiscriminately transfer" the property of enterprises under the system of collective ownership, interference that transcends the limits of policy, laws and directives concerning the internal affairs of enterprises with regard to production management all constitute violation of the autonomy of enterprises under the system of collective ownership. All these moves are contradictory to the features of the enterprises. Therefore we hold that in order to defend the autonomy of enterprises under the system of collective ownership, it is imperative to create conditions so as to gradually abolish the state planning that is imposed on enterprises and abolish the system of obligatory sale of commodities to the state. In this way, it will be possible to guide and influence the production orientation of the collective enterprises mainly through

economic methods and to enable the enterprises to carry out their production according to their own interests and social needs under the unified laws and directives of the state.

The second important feature of the socialist relations of production mentioned above means that the socialist system of ownership by the whole people is not a complete system of ownership and that this system of ownership must have its own particular economic interests so that it will accord with the level of development of the socialist productive forces. That is to say, under socialism, the overall interests of society do not represent the particular interests of enterprises. Therefore taken as a whole, the overall interests of society are an inner motivation for the whole of socialist production; but from the point of view of the enterprises, it is the particular interests of enterprises that can become the direct inner motivation of the enterprises. Therefore the role of the motivation of economic interests in the socialist economy must be fully displayed and to do this it is imperative to acknowledge and defend the particular interests of enterprises so that enterprises will take the initiative in developing production, improving management and raising economic results from the viewpoint of their own economic interests. The socialist relations of various economic interests must be regulated through a series of economic mechanisms so that social interests can be organically combined with the interests of enterprises and the interests of individuals. In this way, socialist production will be able to rapidly develop in a planned and proportionate way and the ever increasing needs of the people's material and cultural lives can be met.

To achieve this aim, it is imperative, in restructuring the economic management system and under the premise that the system of ownership of the means of production by society (the whole people) is maintained, to grant enterprises with relatively independent rights to possess, control and use the means of production. It is also imperative, under the premise that the national economy is under the unified leadership of the social center (or the state), to grant enterprises with relatively independent rights to determine their economic activities. Under the premise that the enterprises have fulfilled their payment of income tax, capital tax and resource differential tax, it is also imperative to grant the enterprises with the right to handle their income and distribute consumption funds and independently decide on the distribution of individual consumer goods according to the principle of socialist distribution.

As, under this system, enterprises under the system of ownership by the whole people have autonomy in relation to their particular economic interests, therefore in the entire system of the socialist social division of labor they will naturally become relatively independent producers of commodities. It is under the premise that these enterprises have the social obligation to hand over part of their net income to society according to unified stipulation, that they are in fact the direct possessors of the products they produce and that they will eventually appear on the commodity exchange market as true possessors of commodities. Once the enterprises under the system of ownership by the whole people represent themselves as relatively independent producers of commodities, socialist market mechanisms will be formed and the law of value will display its role. Consequently, under the pressure of competition, these enterprises will, for the sake of their economic interests, strive to develop production, carry out technical innovation, improve management, increase economic results and spare no efforts to improve the quality of their products and diversify to meet the demands of the socialist market.

Under this system, enterprises that have autonomy in relation to their particular economic interests will naturally ask to become relatively independent economic accounting bodies with regard to the management and use of social funds. The reason is that since these enterprises can independently possess, control and use the social means of production and have social funds at their own disposal, they must therefore be independently responsible for the results of their management as well as for their own profits and losses. That is to say, they must have the responsibility to make good their expenses by using their operating income and making profit. They also must have the responsibility of paying various taxes or handing over part of their profit to social management organs or the state so as to defend the overall interests of society. Under conditions whereby the enterprises independently carry out their accounting and because the results of their business are directly related with their economic interests, that is to say, because these results directly affect the economic interests of the management staff and each laborer, these enterprises will eventually drive their entire staff to improve management, fully tap production potential and rationally use all resources, speed up capital turnover, increase utilization of equipment and increase efficiency in the use of capital so as to speed up the modernization of the entire national economy.

Although we suggested that enterprises under the socialist system of ownership by the whole people must have autonomy in relation to their particular economic interests. This does not mean that certain administrative interference by the state in the operational activities of the enterprises must be rejected. But this interference must accord with the need of objective economic law and must in no way harm the legitimate interests of the enterprises and their autonomy in relation to such interests. It is also demanded that state interference in the economic activities of enterprises must be carried out through economic methods. That is to say that the state must, through various economic levers (such as prices, credit, tax revenues and interest) regulate in a planned way the relations of various economic interests, regulate production and circulation and regulate supply and demand so that the national economy will develop proportionately and systematically. It is therefore apparent that the autonomy of enterprises under the system of ownership by the whole people in no way rejects planned guidance by the state. This right means that state planned leadership over the national economy must be based on respecting this right. That is to say that such leadership must be based on the law of value. Thus the state must organically combine regulation by planning mechanism with regulation by market mechanism so that the market can be regulated in a planned way or that planned regulation can be based on the market.

In short, according to the two important concrete features of the present level of our productive forces and the present socialist relations of production that are decided by this level, to recognize and respect the autonomy of enterprises under the system of collective ownership and to recognize and endow the enterprises under the system of ownership by the whole people with particular economic interests and autonomy constitute the premise for displaying the motivating role of economic interests and business activities of the enterprises and constitute the basic condition for fully displaying the role of the law of value and the role of a series of market mechanisms. Without the autonomy of enterprises, all suggestions such as fully displaying the motivating role of economic interests, developing socialist commodity production, working according to the needs of the law of value, launching socialist competition, strengthening independent economic accounting of enterprises, managing the economy through economic methods and combining regulation by planning mechanism with regulation by market mechanism will become nothing but empty words.

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[Article by Zhang Zongli [4545 1350 4009] and Gu Zhenming [7357 2182 7686] of the Teaching and Research Section on Marxism-Leninism, Nanjing Institute of Agriculture: "The Road and Targets for Chinese-style Agricultural Modernization"]

[Text] Editor's Note: Since our journal started discussing the question of the road for China's agricultural modernization, we have published various articles holding different views on the question of the major task for agricultural modernization. We intend to close the discussion on this question for the time being. Ecological equilibrium is a big issue both in the construction of China's modernization as well as in the construction of China's agricultural modernization. We are going to publish a series of articles on this aspect. Contributions on the question of ecological equilibrium and building up the study of ecological economics are most welcome. [End editor's note]

The road for Chinese-style agricultural modernization is a major question of extensive scope and strong practicality, which needs to be probed and discussed profoundly and broadly. We now put forth our crude and shallow views on the question of the road and targets for Chinese-style agricultural modernization.

I

Agricultural modernization means to equip and manage agriculture with modern science and technology and demands a high degree of labor productivity and a high commodity ratio. It is a universal concept which demands to attain the level of agricultural production (that is the level of modernization reached by the various essential elements of the agricultural productive forces and their integrated forms) already achieved by the majority of the world's developed countries. At the same time, it is also developing and changes in accordance with the development of the agricultural productive forces.

On the whole, the criteria governing agricultural modernization are the same throughout the world; however, owing to the differences in national and economic conditions, individual countries each have their own characteristics when realizing agricultural modernization. China's agricultural modernization needs to be based on its natural and economic conditions and needs to follow its own road for agricultural modernization.

To realize Chinese-style agricultural modernization, it is first necessary to clearly identify the general target for China to realize agricultural modernization. Comrade Ye Jianying pointed out last year in his National Day speech, "Through realizing the four modernizations, the agriculture of our country will turn step by step into an agriculture having a rational distribution and all-round development of farming, forestry, animal husbandry, sideline production and fishery which can satisfy the needs of the people's livelihood and industrial development so that the rural areas of our country will turn step by step into affluent rural areas having a composite economy of agriculture, industry and commerce." This is to say, the general target for China's agricultural modernization is well developed agriculture and affluent rural areas. This is also the basic task for Chinese-style agricultural modernization. It accords with the demands of the fundamental economic laws of socialism.

To realize Chinese-style agricultural modernization, it is necessary to correctly understand the natural and economic conditions of our country and to note the following characteristics:

First, China is a big country abounding in natural wealth and resources, which however, are inadequate on a per capita basis and are also not evenly distributed. China has 1.5 billion mu of arable land, 1.8 billion mu of forests, 5.3 billion mu of grasslands..... On a per capita basis, however, the arable land, grassland, energy resources and water resources for each person respectively are only 1/3, 1/2, 1/2 and 1/4 of the world's average while the symbiosis between man and the biosphere is lower. Besides, resources and population are not evenly distributed; 92 percent of the arable land and 97 percent of the population are found in farming areas comprising less than one half of the country's area while the northwest pastoral zone which occupies more than one half of the country's area has only 7.7 percent of the arable land and less than 3 percent of the population.

Second, the utilization of natural resources for agriculture and the structure of the agricultural economy are irrational, causing a considerable amount of damage to natural resources and the natural environment. Since the founding of the state, the population has increased rapidly, leading to great increases in the demand for agricultural products; this, coupled with the sabotage of the counterrevolutionary clique of the "gang of four," has contributed to a lopsidedly developed agricultural economic structure. At present, of China's gross agricultural product, 67 percent (about 70 percent of which is grain) is attributable to cultivation, 3.2 percent to forestry, 13.7 percent to animal husbandry, 14.1 percent to sideline production and 1.5 percent to fishery. For various reasons, such as putting undue emphasis on developing grain production, improperly opening up wasteland and reclaiming land from marches, excessive felling of trees in factory with attention mainly paid to lumbering rather than afforestation, intensive use of grasslands for animal husbandry but slow improvement and expansion of grasslands and so on, forests and plants are destroyed, grasslands have deteriorated, deserts are expanding in area, soil erosion is affecting a larger area, damage or crop failure caused by drought or waterlogging is more frequent and so on; such serious situations have badly disrupted the natural ecological equilibrium in some regions. Besides, the arable land has also deteriorated in quality. It is estimated that of the total area of arable land throughout the country at present, only one-third can positively give stable yields; yields from another one-third of the arable land are dependent on weather conditions, while the remaining one-third of arable land comprises low-yielding land of saline soil, waterlogged lowland, mountain slopes and so on, which are very much in need of improvement.

Third, China has a large agricultural population; besides, the cultural and scientific standards of agricultural laborers are very low. Based on the rate of population growth under birth control, China is to have by the end of this century's population of 1.25 billion of which at least 900 million will be living in rural areas. At present, Chinese peasants have a very low cultural and scientific standard. According to statistics, among the young and middle-aged population, about 30 percent of them are illiterate and 40 percent of them are of primary school level. Basically, peasants rely on their physical strength and accumulated experience to cultivate the land; the method of management they employ is mainly the same as that of a small-scale production natural economy. This is the greatest practical problem facing China's agricultural modernization.

Fourth, China has a superior socialist system; however, under the disruption and sabotage caused by Lin Biao and the "gang of four," China's economy is still very backward, its financial resources are poor and its industrial base is relatively weak. Moreover, China's agricultural modernization runs parallel to the modernization of industry, national defence and scientific technology. In the course of agricultural modernization, not only are industry and other sectors of the national economy unable to make substantial investments in our agriculture, but they have to accumulate part of their capital from agriculture. China's agricultural modernization will have to be effected mainly through self-reliance of the 800 million peasants; this poses rather great difficulties.

Fifth, China's agriculture has certain unique advantages; for instance, the good tradition of intensive cultivation, the capability for better utilization of natural elements in China's organic agriculture to promote ecological circulation and so on. At the same time, China's agricultural production also possesses a fairly firm material basis. In 1978, the number of large and medium-sized tractors for farming and the horsepower of irrigation and drainage power machinery in China increased respectively by 953 times net and 512 times net as compared with those in 1952.

The above characteristics in natural and economic conditions determine the characteristics of China's agricultural modernization.

II

For a long time there has been a view that in order to realize China's agricultural modernization, it is necessary to take agricultural mechanization as the core and place emphasis on the modernization of physical and chemical technological measures for agriculture. Substance on the aspects of mechanization, electrification, extensive use of chemical fertilizers and other farm chemicals, bringing all farmland under irrigation and so on for agriculture has been proposed in the past as the means to achieve higher labor productivity so as to produce plentiful farm produce with less manpower. They believe that the total of production is the most essential and most typical (in terms of characteristics of the times) among the various key elements of the productive forces as it signifies the development level of the productive forces and because agricultural mechanization is at present the main feature of agricultural modernization in various countries throughout the world. The quantity of farm produce per capita is at present very low in China precisely because the agricultural labor productivity is too low. Accordingly, these comrades also believe that it is necessary to take agricultural labor productivity as the basic target for China's agricultural modernization.

There is also a view that China's agricultural modernization should take seeds and chemical fertilizers as the core, vigorously improve the productivity of land and increase the output of farm produce; such is the basic task for China's agricultural modernization. According to this viewpoint, mechanization mainly aims at saving living labor only and cannot bring about large-scale improvement of the yield per unit of area. Improvement of the yield per unit of area is mainly determined by the photosynthetic efficiency of crops and the key to high yield lies in good seeds and fertilizers. At present, the conditions in both the farming industry and the collective economy in the people's communes of China are not yet ripe for realizing agricultural mechanization. The quantity of farm produce per capita in China is very low at present; increasing the output of farm produce is an urgent task and it is therefore necessary to take seeds and chemical fertilizers as the core for realizing China's agricultural modernization. These comrades believe that the productivity of land is the basic target for assessing the level of China's agricultural modernization.

We believe that higher labor productivity is a must for agricultural modernization and the effect of agricultural mechanization on agricultural modernization should be fully affirmed. However, taking a general view that the realization of China's agricultural modernization should be centered on agricultural mechanization is neither conforming to China's national conditions nor learning correctly from experience abroad.

In recent years, agricultural mechanization has played a considerable role in the rapid development of agricultural production in various countries throughout the world whose production is developed. However, such a one-sided practice of developing inorganic agriculture has exposed many serious shortcomings, such as involving huge investments, a high consumption of energy, a terrible wastage outside the enterprises and so on. In the United States, although the labor productivity of agriculture is very high, large investments have been injected into agriculture. At present, about 60 million tons of oil, 8 million tons of steel and 0.16 million tons of rubber are consumed by U.S. agriculture each year. In 1978, the fixed assets for the agricultural labor force were \$112,000 or twice as big as in the manufacturing industry. The production of every \$1 worth of farm produce requires an investment of \$8 or 16 times that of the steel and iron industries. In countries where agriculture is well developed, moreover, since chemical fertilizers, agricultural pharmaceuticals, weed killer and machinery have been extensively used in agriculture and a pattern of industrialized production in agriculture has been established in which industrial energy and materials are introduced to support the growth of the output of farm produce, there is such an influx of new chemical materials into the agricultural ecosystem that materials harmful to organisms even accumulate in farm produce, thus destroying the reproductive power of natural resources. In recent years, people in the field of science abroad have suggested that from now on the emphasis of the task of improving agrotechniques should be placed on improving the products of regenerative resources (agricultural organisms) and conducting research into the techniques to obtain the maximum amount of products by employing the minimum amount of nonregenerative resources (water, inorganic energy, chemical fertilizers, agricultural pharmaceuticals and so on), that is to carry out research in production techniques which require a low amount of energy. They stress the need to study the biological process governing agricultural productivity, to seek to reduce the consumption of materials and energy in agriculture and employ instead a new way of using the social productive forces to protect and build up natural productive forces so as to put agriculture in line with ecological requirements. The detours experienced by foreign countries in agricultural development and the problems currently

existing in agriculture abroad are fine references for us. We must develop our own advantages, avoid detours and attain advanced world levels in quicker strides. At the same time, the main function of agricultural machinery is to raise the work efficiency. In order to let agricultural machinery play a role in boosting the yield per unit of area, it is necessary to combine mechanical techniques closely with biological techniques in such a way that the two can be in harmony; to achieve this, the demand on agricultural machinery is very high. It is only in very recent years that various countries with well developed production have gradually attained a fairly high level in this respect. China has a very low per capita figure for both land area and arable land area, an abundant agricultural labor force and also a fine tradition of intensive farming. When applying agricultural machinery under such conditions, the demand will be even higher since it will then be required to both improve labor productivity as well as to increase the output per unit of area and reduce the cost of farm produce; at present, we still do not have such agricultural machinery. Besides, China has problems in capital accumulation and labor arrangement; also, with the present industrial level, it is impossible to provide agriculture with a plentiful supply of good and cheap agricultural machinery conforming to the demands of agricultural modernization. Hence, the road of taking agricultural mechanization as the core so as to realize agricultural modernization through agricultural mechanization is, at least at the present moment, not suitable to China's national conditions.

Similarly, it is also one-sided to stress that China's agricultural modernization should take seeds and chemical fertilizers as the core. Just paying attention to one or two measures to boost output cannot help to bring about an all-round development of agricultural production. Neither can the view that taking seeds and chemical fertilizers as the core be said to have grasped the principal contradiction in realizing China's agricultural modernization. This is because by using this as the core to vigorously boost the output per unit of area, the main concern is still only with the 1.5 billion mu of arable land and the cultivation industry. In China, however, the area of arable land per capita is just 1.5 mu; even when the yield per unit of area is improved at a quicker pace, it will still be impossible to satisfy people's needs for farm produce. Besides, the factors underlying increased output are numerous and the main orientation for increased output for various regions is also different; it therefore follows that seeds and chemical fertilizers are not the only essential factors. Although China has only a small amount of arable land, it has greater potential in other resources and greater contrasts in the natural and economic conditions of various regions; in order to realize agricultural modernization, it is necessary to fully utilize the various resources on a rational basis and develop a diversified economy in a practical manner so as to bring about an all-round development in farming, forestry, animal husbandry, sideline production and fishery as well as establish a rational production structure. This will be of more benefit to the natural ecological equilibrium and avoid the harm associated with unitary economy and intensive development of inorganic agriculture; then it will be possible to make the most of China's abundant labor resources so that the whole of agriculture can keep developing toward the depth and breadth of production. Hence, although good seeds and chemical fertilizers are very important in the process of China's agricultural modernization, it will nevertheless be inappropriate to take them as the core.

We consider that agricultural production is an organic synthesis. Its essential characteristics are a mixture of natural reproduction and economic reproduction. Agricultural modernization is a process of comprehensive development. Proceeding

from the actual situation that in China there is a huge population within a confined area, the economic strength is weak, the natural resources carry certain limitations and are not being utilized in a rational manner at present and so on, we believe that in order to realize China's agricultural modernization, it is necessary to bear in mind the mutual relationship between agricultural organisms and the environment as well as among the agricultural organisms themselves, pay good attention to the work on aspects of breeds, cultivation system, rearing methods, fertilizers, irrigation and drainage, protection of plants, soil improvement, agricultural machinery and so on; it is also necessary to concentrate efforts on the management of the agricultural economy, establish agricultural districts in a proper manner and pay good attention to the reform of the structure of agricultural production so that the aspects of productive organization, management systems and so on will keep improving. Accordingly, the Chinese-style agricultural modernization should follow the road of comprehensive development, that is, to proceed from the viewpoints of biology-economics so as to carry out divisions into districts according to the characteristics of agricultural organisms and other resources and establish within the whole country a scientific structure of production covering farming, forestry, animal husbandry, sideline production and fishery; at the same time, establish step by step on this basis a system of production technology for organic-inorganic agriculture, combining the traditional organic agriculture which mainly raises output by biological methods with the employment of modern science and technology so as to effectively expand the biological capacity of the material cycle for agriculture, maintain and promote the natural ecological equilibrium, attain sustained and large-scale increases in output and avoid the drawbacks brought about by paying undue emphasis to inorganic agriculture.

To realize the general target for China's agricultural modernization, namely to build a well developed agriculture and affluent rural area in China, it is necessary to arm agriculture with modern science and technology and employ advanced science and technology as the leading factor. However, the scope of agricultural production is very wide; the key factors restricting agricultural production are different within given periods in a region or the whole country and therefore the emphasis on modern science and technology for agriculture should also be different. When the old restrictive factors are overcome, new factors restricting further development of agricultural production will emerge under new conditions. Such a continuous process of discovering and overcoming new factors will move China's agricultural production towards modernization in a practical and harmonious way; centered on the major scientific and technological measures in different periods, other kinds of scientific and technological measures will also be applied in a concerted manner to obtain greater results. This practice is far better than fixing beforehand a certain measure as the core as it can conform even more to objective reality and avoid subjective one-sidedness.

To realize the general target for China's agricultural modernization, it is also necessary to strengthen management of the agricultural economy and do a good job of reforming the structure of agricultural production. The construction of either modern organic agriculture or inorganic agriculture requires without exception a fairly large amount of manpower, material and financial resources as well as a very long period of time. The current irrational structure of agricultural production and management system in China are also hindering the development of agricultural modernization. In this connection, reform of the management of the agricultural economy is less expensive and can bring about results within a short period. Therefore, the construction of China's agricultural modernization should at present start with measures concerning the management of the agricultural economy. At present,

it is necessary to do properly the work of comprehensive surveys of agricultural and natural resources and the work of division into agricultural zones, draw up a plan of general development for agricultural modernization and establish a rational structure of agricultural production in line with the demands of ecological equilibrium for agriculture so as to bring about an all-round development of agricultural production. At the same time, it is necessary to make experiments in effecting step by step an integration of agriculture, industry and commerce and to establish a rational economic structure for rural areas so as to prepare funds for agricultural modernization and to solve the problem of arranging jobs for the labor force. Along with the development of agricultural modernization, many fresh demands are sure to come up with the management of the economy.

Chinese-style agricultural modernization is a road of comprehensive development. In line with this, the targets reflecting agricultural modernization should also be comprehensive and multiple. Unitary targets can often only determine the level of agricultural modernization from one aspect or a certain scope and have definite limitations. Also, they do not facilitate the mobilization of all forces and the employment of various methods to seek a more extensive scope for ways of stepping up agricultural modernization. Besides, enormous wastage of resources and labor very often result because of singularly pursuing a certain target. We believe that it is more appropriate to reflect agricultural modernization with the three targets of land productivity, labor productivity and capital utilization ratio. Land is the principle object of production and irreplaceable means of production for agricultural production. The limitedness of land area and the low degree of soil fertility have extremely great effects on agricultural production. Whether a piece of land is being utilized in a rational manner and whether the yield of unit area is high or low form an extremely important aspect for assessing the level of agricultural production. Land productivity is affected by various factors, such as seeds, fertilizers, cultivation system, agronomic techniques and so on; it can also be said to be the result of the comprehensive effects of scientific and technological measures. The significance of the target of labor productivity is well known to everyone. At the same time agricultural modernization is derived from a very high agricultural labor productivity. In the case where the three targets are all employed at the same time, it mainly reflects the effects of and the level of modernization attained by the tool of production, namely the system of agricultural machinery. As for the target for the capital utilization ratio, it comprehensively reflects the proportional relationship between the use value or total output value obtained in agricultural production and the whole capital employed. In China's agricultural production, it mainly reflects such questions as economic results of the consumption of material labor, the good or bad performance of operation and management, and so on. Material labor is the fruit of labor by human beings in the past and is the wealth of society; it is precisely under such an established condition of the productive forces that people play a dynamic role in carrying out productive labor. Regardless of whether the conditions of materials and wealth are excellent or poor, special attention must be paid as to whether the material labor is applied or used in a rational manner, whether it is administered or managed under a scientific system and whether it obtains the maximum economic results. All these questions can be reflected by the capital utilization ratio.

The three targets can also be applied to reflect in a comprehensive manner the agricultural modernization of other countries in the world so as to obtain comparisons. On the one hand, they reflect the level of agricultural modernization of a certain country; on the other hand, they can reflect the characteristics of agricultural production in various countries and can even expose certain universal

problems of regularity in the course of agricultural modernization of various countries. For instance, both the United States and Japan have reached the contemporary level of agricultural modernization, but the former has a high labor productivity and the latter has a higher yield per unit of area. At the same time, both countries have invested and spent large amounts of capital; from now on the target of the capital utilization ratio must be employed to reflect the situation of how they improve agricultural production, reduce material consumption and obtain greater economic results.

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TRANSPORTATION

PRC JOURNAL DISCUSSES TRANSPORTATION INDUSTRY

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[Article by He Rongfei (0149 2837 7378) of the Theoretical Research Office of the Party School of Anhui Provincial Party Committee: "On the Development of the Transportation Industry of our Country"]

[Text] The transportation industry of our country has developed quite rapidly since the founding of New China. In 1978, the total length of the transportation network throughout the country was 1.18 million kilometers, more than 5 times that of the early liberation days. Total assets of various modern forms of transportation were more than 80 billion YUAN. We have gradually set up a complete and comprehensive transportation system that has played a big role in meeting the requirements of the national economy, people's life and preparation against war and national defence and has also formed a sound foundation for the further development of transportation. But owing to interference and sabotage by Lin Biao and the "Gang of Four" and mistakes in our work, the transportation industry has developed at a slower pace. As a result, it lags far behind the goal of the four modernizations. It is not in accordance with the development of the national economy. In addition, the growth of the capacity of our transportation industry is lagging far behind the growth in the volume of transportation caused by the development of the national economy. During the 26 years from 1952 to 1978, gross industrial and agricultural output value increased by a factor of 6, but the length of transportation network only increased by a factor of 3.3. During the same period, railway cargo carrying volume increased by a factor of 7.2 while the length of railway lines increased by a factor of 1.1; water transport cargo carrying volume increased by a factor of 26 but its carrying capacity only increased by a factor of 14. In many regions, particularly the regions with dense population and concentrated industrial and agricultural production, the contradictions inherent in the lack of transportation capacity is so prominent that "production is fixed according to the level of transportation" and that "production is limited by the level of transportation." This situation has seriously affected the development of industrial and agricultural production as well as people's consumption and constitutes a very prominent weak link in the present national economy. Therefore it is required in readjusting the national economy as well as in stepping up the four modernizations to develop the transportation industry in a big way and overcome this weak link.

1. To Pay Attention to the Position and Role of the Transportation Industry in the National Economy is a Premise for the Development of Transportation

One of the important reasons for the backwardness of our transportation industry is that we do not really understand the position and role of this industry in the

national economy. Therefore deepening our understanding is the premise for stepping up the development of the transportation industry.

The transportation industry is an important department of the national economy and the vanguard for national economic development that links various economic departments and regions and various aspects of social reproduction. Transportation activities transform the national economy into a tight entity and guarantee that the whole national economy and social reproduction will be carried out normally. Lenin said: "Transportation is an important base for our whole national economy and it is perhaps one of the most important bases." (Lenin: Collected Works of Lenin, "The Ninth All-Russia Congress of Soviets" Vol 13, p 125). Actually, the number of staff in the transportation departments comprise one-sixth of the total number of staff throughout the country; their fixed assets comprise one-fifth of the national assets and investment in capital construction for transportation only comprises 16 percent of total national investments. Consequently, the economic results of transportation departments that are vital in developing the national economy are far from satisfying.

It is agreed that the scale, pace of development and level of the transportation industry are conditioned by those of the national economy but the industrial situations in these respects is by no means inactive. On the contrary, they play an important role in affecting the development of the national economic departments.

First of all, in national economic activities, the transportation industry plays its role of ensuring and promoting production.

To play the role of ensuring production means that the transportation industry must meet the needs of production and constantly promote the process of social reproduction. Socialist modernized mass production is based on the developed social division of labor and coordination. Enterprises are able to contact each other through transportation and when transportation is suspended, reproduction can no longer be carried out.

Industrial and agricultural production are the most basic activities of the national economy. The transportation within factories, mines and enterprises and farm transportation within agricultural production are indispensable links in the process of industrial and agricultural production. As the advantages of regional industrial and agricultural production are further displayed, coordination in industrial production by specialized departments will be developed in a big way, diversified agricultural production will be developed in a big way, the commodity rate of farm produce will be greatly increased and tourism as well as imports and exports will develop more rapidly, the demands on the transportation industry will consequently be higher because it is only in this way that the role of transportation in ensuring production will become more prominent and important.

The role of transportation in promoting production involves shortening the time for the circulation of commodities and improving the economic results of production departments and labor productivity through transportation. The basic requirements for the quality of transportation are speed, punctuality, thrift and safety in transporting goods. When raw materials are delivered to production units and products are transported out rapidly and in due time, the time spent by goods in transit is shortened and reserves of raw materials and goods in enterprises are reduced, thus preventing overstocking. It also quickens the turnover of circulating capital and improves investment results. Low transportation costs result

directly in low costs of products. Safe transportation means that production departments will receive their raw materials, equipment and means of production in good condition so that these departments will be able to guarantee the quality of their products and increase production efficiency.

Second, the transportation industry plays its role as the vanguard of national economic activities.

The role as the vanguard means that the transportation industry guarantees industrial and agricultural capital construction, promotes the expansion of reproduction and ensures that projects for new production bases can be carried out smoothly. All the raw materials and equipment that are needed in industrial and agricultural capital construction and in the expansion of reproduction have to be transported. "Food and fodder should go before troops and horses." Without the means of production initially delivered by the transportation industry, there is no way the production of capital construction can be started. Before projects involving a new production base such as oil fields, big mining areas, forest areas and farms are started, the related infrastructure such as roads, railways, harbors and other transportation facilities must be built to deliver materials for capital construction and equipment for production before production begins. The opening up of the Daqing oilfields and the setting up of a big farm in the Northern Wilderness provides a good example in this respect. Coastal cities in China and other countries have developed very rapidly because of water and land transportation and harbors. People in West Germany would say that without the port of Hamburg there would be no port city of Hamburg. The cities of Shanghai, Tianjin, Guangzhou and Wuhan have been rapidly developed into economically prosperous big cities because of easy transportation. Therefore in building the national economy we must make full use of the vanguard role of the transportation industry. In carrying out industrial and agricultural capital construction or in building up new production bases, we must consider the feasibility of conditions for transportation. We must maintain a balance between transportation capacity and production capacity.

Another important role of the transportation industry is to promote the circulation of commodities and guarantee the consumption needs of the laborers.

Under the conditions of a commodity economy, it is neither possible nor necessary for any region or department to produce all the consumer goods that are needed by the laborers. People can have all the basic necessities of life through exchange of commodities among regions and departments. And the process of commodity circulation from production sectors to consumption sectors can only be realized through transportation. As our national economy develops, the level of consumption of the laborers will constantly rise and their demands for both quality and quantity of consumer goods will also rise. But none of these needs can be met without good conditions.

Owing to the lack of understanding of the position and role of the transportation industry in the national economy for a long time in the past, the amount of investment in this industry has constantly been reduced. During the first 5-Year Plan, the investment in capital construction in the transportation industry comprised 16.4 percent of the national investment and this figure accorded fairly well with the national economy. But during the second 5-Year Plan, the figure dropped to 13.9 percent and later to 13.8 percent. Following the downfall of the "Gang of Four," the national economy was rapidly rehabilitated and it has developed rapidly; but investment in the transportation industry has dropped to 12.3 percent. As the

amount of investment in the transportation industry was too little in the past and considering that with the development of industrial and agricultural production, the volume of transportation will further increase, it is necessary to increase the ratio of investment in the transportation industry; for example, the ratio may be maintained at the same level as during the first 5-Year Plan.

2. To Readjust the Structure of the Transportation Industry Is Vital for Speeding Up the Development of Transportation

The reason for the backward situation in the transportation industry is not only because we have not paid much attention to it and because of limited investment but also because in working and carrying out plans for transportation there has existed subjectivism and one-sidedness in guiding ideology. That is to say, we have not followed the objective laws of the transportation industry and various proportionate relations are seriously out of balance. Therefore in order to step up the development of the transportation industry it is vital at present to readjust the structure of the industry according to its objective laws.

/First, readjust the capital construction of the transportation industry/ (boldface)

Like the situations of other national economic departments, the situation of the transportation industry is that the capital construction front is overextended too many projects and too much investment. Take railway construction of example. By the end of 1978, the number of construction projects with over 50,000 YUAN of investment each was 1,573, of which 51 were big and medium-scale projects with 19 billion YUAN of investment. Investment in projects under construction increased by a factor of 2.5 over the figure at the end of 1965. According to the present investment level, these projects can only be completed in the next 3 to 4 years even if there are no other new projects to be carried out. An overextended capital construction front has resulted in dissipation of our strength and consequently we have failed to form new transportation capacity for a long time and the return on investment has been drastically lowered. Therefore we must be resolute in reducing the capital construction front and readjusting construction projects. Those projects that ought to be stopped must be resolutely suspended so that material and financial power can be concentrated on urgent projects that will help increase transportation capacity.

In order to reduce the capital construction front and improve the return on investments it is urgent at present to readjust the relations between new projects and renovation of old facilities so as to maintain a proper proportion. In fact we have both lessons and experience in this respect. The relations between new projects and renovation were handled relatively well during the first and second 5-Year Plans. For example, the proportion of investment in new and old railway lines was 1.3:1 and this basically accorded with the needs of economic construction. During the third and fourth 5-Year Plans, measures were taken to reform the irrational location of our transportation industry that was left over by the old society. At that time, we stressed the importance of carrying out new projects in the hinterland, neglected construction along the coastline and went all out in carrying out construction on the third front. As a result, the investment in new railways was drastically reduced. The ratio of investment to investment in old railways was 0.1:1. Eighty percent of the new railways were built in the western part of the Beijing-Guangzhou Railway while the old railways in the eastern sector were not renovated. The volume of transportation in our country is mainly concentrated in the eastern Railway areas. As a result, the transportation capacity in the eastern part has failed to meet the need. It shows that in readjusting the relations between new projects and renovating old facilities it is necessary at present

to slash the number of new projects and step up renovation. This means that we must follow the principle of "renovation first, new construction later." In carrying out renovation, the existing railways and equipment must be renovated and reformed so as to tap potential and enable them to fully display their role. This is an effective way to increase transportation capacity in the shortest possible time because our country has a weak foundation with limited materials and financial power.

The key work in reforming the existing railways must be carried out in coastal regions. These regions constitute less than half of the country's total area but the population comprises 75 percent of the total. The volume of industrial and agricultural products in these regions such as steel, coal, crude oil and grain comprises about 80 percent of the national total. In addition, with the volume of water and land transportation as high as 87 percent of the total throughout the country, there is a serious shortage of transportation capacity in these regions. These regions are vital in the lines of transportation throughout the country and once the transportation in these regions is improved, this will naturally ease the contradiction between the volume of transportation and transportation capacity and will basically ease the tense situation of transportation throughout the country. The work of reforming transportation between the west and the east must also be stepped up. In the past, more efforts were made in building trunk lines between the north and the south which affected the building of trunk lines between the west and the east, where neither the carrying capacity of railways nor the Chang-jiang River are in a position to meet the increasing needs in the volume of goods to be transported. Thus with the shortage on the transportation front, there is an urgent need to strengthen restructuring and expansion.

/Second, readjust the relations of division of labor and coordination of various forms of transportation./ [Slantlines denote boldface type]

The transportation system is composed of various forms of transportation such as railways, highways, water transportation, airways, and pipelines that have the same duty of transporting goods. Each form of transportation has its own technical and economical features and each accords with specific natural conditions and meets certain transportation needs. Therefore each form of transportation must be developed in coordination with other forms. There must be division of labor among various forms of transportation so that each form can fully display its advantages and the various transportation forms complement each other. In short, they must form a comprehensive transportation capability so that they will be able to display their roles to the utmost.

It is correct to regard railways as the key form of transportation. But we did not pay enough attention to the position and role of other forms of transportation in the past, nor are we doing so at present. As a result, the development of highways and water transportation has long been affected and these two forms of transportation, particularly water transportation, are far from meeting requirements.

To change this situation it is necessary to take measures to develop water transportation and to enable it to display its role, road transportation must also be developed to meet the need for the rapid development of agriculture. Full attention must also be paid to the role of indigenous forms of transportation such as wooden sailing boats, handcarts, animal-drawn carts and pack animals.

In order to increase transportation efficiency, there is an urgency at present to regulate the relations of the division of labor and coordination among various forms of transportation. The method includes stepping up construction of facilities in areas that are particularly short of transportation (at the present stage, this work must be concentrated on developing road and water transportation) so that the five main forms of transportation will develop proportionately and in a planned way. In building railways, consideration must be given to developing road and river transportation that will serve to collect and distribute the goods carried by railways. Water transportation must be developed in such a way that it will link railways and roads while in building roads we must consider how they will link nearby railways and water transportation. Another method is that in working out transportation plans, we must understand the duty of transportation throughout the country so that the transport situation will be balanced. Concretely speaking, the direction of transportation may be regulated according to variety, specification and quantity of goods to be transported. The time, place and other conditions of transportation must be arranged in a unified way according to features of various transportation forms, location and capacity. In this way, various forms of transportation will rationally have their own duty. Bulk goods that can be carried by water transportation must be transported by this form of transportation while railways must mainly engage in transporting big quantities of goods long distances. Efforts must also be made to form joint transportation through division of labor and coordination of various forms of transportation.

/Third, readjust the relations of various links in the transportation industry/

The transportation industry generally includes transportation lines, transportation tools, cargo handling basins, maintenance and repair depots. Transportation activities are realized through coordination of these links. Of these links, the tools of transportation are important means of transportation to which other links are subservient. But this does not mean that all other links may be neglected. In the past, these other links were neglected, causing serious results. It is now necessary to balance these links and complete them so that each link will develop proportionately. Once any link becomes unbalanced, the whole transportation system will be affected. According to this principle, the following weak links have to be strengthened first.

First, step up the building of transportation tools so that movable equipment that is not in use will grow proportionately with the growth of fixed equipment. The number of important means of transportation in our country such as locomotives, rolling stock, vehicles and vessels lags far behind demand. The development of the capacity of fixed equipment is not coordinated with that of movable equipment, thus hindering the raising of transportation capacity. Take locomotives and rolling stock for example. During the first and second 5-Year Plans, investment in this equipment basically comprised 21 percent of the total investment in railways; but this figure dropped to 18.5 percent during the third and fourth 5-Year Plans. The volume of railway transportation has doubled since 1960 but the number of locomotives and rolling stock has only increased by 30 and 65 percent respectively. At present there are over 9,700 locomotives throughout the country and there are no reserves. Therefore the production of rolling stock, vehicles and vessels must be stepped up with more types and higher quality. It is also important to step up the building of transportation lines, stations, harbors and ports.

Second, step up the building of transportation lines so that they will develop proportionately with the development of vehicles, vessels and carrying capacity.

Third, increase the loading and unloading capacity and the long distance transportation capacity so that they will accord with the growth in capacity of vehicles and vessels. Therefore the capital construction of cargo handling facilities, warehouses, depots and other facilities for transportation, harbors and ports must be strengthened. More berths must be built so that these facilities will accord with the growth of vessel carrying capacity.

Fourth handle the relations of repairing, building and utilization well and strengthen repairing.

3. Restructure the Transport Management System and Regulate All Related Relations To Ensure Rapid Development of Transportation Industry

Another reason for backwardness in the transportation industry is a defective management system and disharmony of the relations of ownership. In readjusting economic management system it is imperative to restructure the present management system in the transportation industry gradually and in a planned way so that the chaotic situation in the present management system can be overcome, the management system can be improved and the potential of transportation can be tapped to increase efficiency and ensure that transportation will develop rapidly. Without these measures, the results of economic readjustment can neither be consolidated nor developed.

The major defects in the present transport management system include working against the objective laws of the transportation industry. Management is carried out by various administrative regions with different administrative systems and much duplication of administrations, the severing of inner economic relations among enterprises, economic regions, forms of transportation and various transportation lines. Before 1958, water and road transportation enterprises were mainly under the unified management of the government and the enterprises. But later these enterprises were divided into several regions with the same management. But neither of these management systems was based on the economic regions according to water and road transportation lines.

The same transportation lines, the same waterways or even the same river were put under the management of different administrative regions to form feudal separatist rule. As a result, with respect to transportation, each region does what it likes and each unit disputes over trifles and contends for cargoes and transportation lines. Vehicle and vessel transportation lacks unified dispatch and control. Vessels, ports and loading and unloading are disjointed. On the contrary, each goes its own way without any coordination. As a result, the situation of a return trip with an empty load is very serious. Statistics show that over the past few years, the rate of vehicles travelling with an empty load has reached as high as 60 percent and 50 percent for river and air transportation.

Transportation production is a kind of economic activity and therefore it is necessary to manage these activities through scientific administrative methods but this is not the primary method. This method should be combined primarily with economic methods. This means that to promote the development of transportation production, the role of various economic levers such as prices, tax revenues, credit and contracts must be fully displayed. Loading and unloading of cargoes in ports and stations demands close coordination on the part of vehicles and vessels. In the past, transportation was organized through administrative methods and the relations of various sectors were treated in a bureaucratic way, only to cause a number of

contradictions. If we use economic methods to handle these relations and define economic responsibility for each department concerned in the process of production through contracts, then it will enable all departments concerned to coordinate in production.

According to the relations between the state and enterprises under the present management system, autonomy is concentrated in the hands of the management departments to which enterprises are subordinate. These enterprises can only carry out plans that are worked out by these departments and no alteration of plans is permitted. All the transportation plans and various economic and technical goals of these enterprises under the system of ownership by the whole people are worked out by the management departments that are also in control of transfer of staff, operating income, transfer of fixed assets and checking account. The enterprises themselves basically have no autonomy and they are only responsible for passenger and cargo transportation. As they do not have enough autonomy, they are not in a position to work out scientific management methods according to the needs for transportation, let alone to work according to objective laws and manage transportation with economic methods. Therefore it is necessary to expand the autonomy of these enterprises so they can use it to master overall power over the good or bad running of the enterprise.

Under the present management system, the supplies of goods for the enterprises under the system of ownership by the whole people and their financial income and expenditure are all monopolized by the state. The enterprises are not economically responsible for the results of their business. Whatever the results are, they are not directly related with the material interests of the staff. As these enterprises are eating out of the big pot of the distribution system, they consequently do not care about economic results. Waste of labor, material and financial power have been very serious. These enterprises have asked for equipment that was in fact not needed by them and as a result, some equipment has been idle with very low efficiency. They have also indiscriminately taken on more staff, causing overmanning. The proportion of staff is higher than that of vehicles and the labor productivity of the staff is low. Therefore, on the basis of the right for independent management and independent economic interest, these enterprises must carry out independent economic accounting so that they will be able to closely combine their economic autonomy with economic responsibility, economic results and economic interests. In this way, they will have the inner economic motivation to fully display the initiative of cadres and workers and increase transport efficiency.

The situation of eating out of a big pot is even more prominent in the management system of capital construction. Like the management of the capital construction in other departments, the management of capital construction in the transportation departments also relies on the state distribution system. That is to say, investment and major building goods and materials are supplied free by the state. As a result, various departments concerned often contend for projects, investment, materials and equipment without caring much about investment results and economic motivation because they have no economic responsibility. As a result, the capital construction front in the transportation industry is overextended and return on investment is low. I suggest that the investment in capital construction and the system of free allocation of money be replaced with bank loans. Various management methods over funds, plans and supplies of goods and materials must be formed, return on investment must be combined with design, construction and the economic interests of the users so that through contracts, each department concerned will have its own economic responsibility. In particular, the units that carry out projects must be independent in running their business and responsible for their own profits and losses.

There exist separatism and localism over the present management in handling the relations between centralization and dispersion and between the Party Central Committee and the localities, and this is a reflection of the small producer ideology in management.

Production of modernized transportation tools such as railways, highway, water transportation and air ways is basically characterized by long distance, huge transportation volume, involvement in many aspects and complex relations. It occupies and consumes more manpower, goods and materials; it is socialized large-scale production. To carry out such production it is first necessary to organize coordination of transportation and transportation tool among various departments, regions and units. Organizational work must also be done to link supply, production and marketing. Second, it is necessary to organize manpower well and rationally distribute transportation tools, fuel and cargo. But all this needs centralized and unified leadership and management or chaos will ensue. But for many years in the past, this centralized and unified leadership was labelled by Lin Biao and the "Gang of Four" as "dictatorship of rules and regulations" and was subject to criticism. In addition, with one-sided thinking, we often stress the importance of the localities in displaying their initiative and neglect the necessity for centralized and unified leadership. For example, the management over highways and river transportation was delegated to localities only to disperse management and weaken transportation efficiency. Highways and river transportation were put under the planning system of 19 individual departments with plans unifiedly imposed on localities by the Party Central Committee. As a result, localities are short of funds, equipment and materials in developing their transportation. Take the situation of highways for example. The method of unified leadership by the Party Central Committee and local management was introduced from 1950 to 1958 and consequently both the Party Central Committee and localities were able to display their initiative quite well. After 1958, local initiative was one-sidedly stressed, the Highway General Bureau was abolished, management over highways was totally delegated to localities and the state suspended investment in economic trunk lines, short provincial border lines liaison lines and large independent bridges. As a result, highway transportation failed to meet the needs of economic construction, transporting emergency relief and in preparation against war. This was followed by the transfer of management over vehicle transportation and road transportation to administrative regions and prefectures. Each region and prefecture set up its own vehicle transportation company with dispersed management and mutual blockades, tracing lines on the ground to imprison themselves.

As a result of this dispersed and local management system, there was not enough planning and arrangement in vehicle transportation. This system also failed to rationally organize transportation and resulted in dispersal of transportation power and reduction of transportation efficiency.

I suggest that highway transportation be put under the management of the departments concerned of the Party Central Committee with the principle of the centralized and unified leadership of the Committee combined with local management. I also suggest the formation of a general company of national transportation with branches in various provinces and prefectures that may also establish other transportation organizations.

Separatist ideology is still seriously reflected in the management of transportation tools. Statistics show that the total number of vehicles owned by vehicle transportation enterprises throughout the country makes up 13 percent of the total. The

remaining 87 percent of the vehicles are scattered among thousands of organizations and other units and their transportation capacity is only one third of the vehicle fleet and their cost is one third higher. Therefore it is imperative to organize all the vehicles that are scattered in various organizations and departments and put them under "three unified" management to meet the needs of social circulation and increase transportation efficiency.

Another reason obstructing the development of the productivity of the transportation industry is that the relations of ownership are not in harmony. The important content in readjusting the economic relations of the whole transportation industry is to actively support transportation production with the systems of collective ownership and individual ownership. By doing so, we will be able to display all initiative and rapidly develop transportation production.

In order to realize the four modernizations it is imperative to modernize the transportation industry and this is the orientation for the development of our transportation industry. When transportation is modernized, it will have the capacity to rapidly transport large quantities of goods in good conditions and at a low cost so as to meet the needs of the four modernizations. Modernization of transportation includes modern technology and modern management. The modernization of technology includes modernization of transportation tools, and lines of communication and equipment with the former as the main link and the latter as the foundation and condition. We must proceed from the actual conditions of our country and take the Chinese-type road in modernizing technology. This road includes: First, actively importing foreign capital and technology, while at the same time we must persist mainly in self-reliance. Second, with a weak foundation we can in no way discard the existing backward technology, equipment and transportation lines and start afresh; on the contrary, we must renovate these facilities to increase their capacity and gradually raise them to a modern level. Third, the transportation industry must first of all serve industry and agriculture. Hence we must develop the transportation network in rural areas in a big way and step up the construction of transportation lines. Fourth, we must study the development of the transportation of advanced industrialized countries, the reasons for traffic congestion, road accidents, energy crises and noise and exhaust gas pollution so that we can take effective measures to prevent them.

The modernization of transportation management should include: First, on the basis of eradicating the defects of the present management system, formation of a scientific management system that accords with the laws of modern transportation. Second, make full use of the achievements of modern science and use mathematical statistics, operational research and systematic engineering, computers and automatic signals and other advanced control facilities so as to gradually modernize management and method. Third, develop management science, step up management education and work hard to train management staff with socialist consciousness who have a good understanding of the transportation business and who are versed in management science so that we will gradually train specialized management staff. Fourth, fully display the responsibility of the staff of transportation departments, organize them to take part in management and carry out democratic management and make it systematized and legalized.

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